As of 11 a.m. ET **DJIA** 10038.08 ▲ 1.31% **FTSE 100** 5111.84 ▲ 0.38% **Nikkei 225** 9932.90 ▼ 0.19% **Shanghai Comp.** 2948.84 ▲ 0.47% **Hang Seng** 19790.28 ▲ 1.22% **Sensex** 16042.18 ▲ 0.67% **S&P/ASX 200** 4505.07 ▼ 0.36%

India halts release of first genetically modified food crop
WORLD NEWS 5

Why China keeps poisoning the milk
EDITORIAL & OPINION 13

Australia: A$6.00(Incl GST), Brunei: B$5.00, China: RMB25.00, Hong Kong: HK$18.00, India: Rs25.00, Indonesia: Rp18,000(Incl PPN), Japan: Yen500(Incl JCT), Korea: Won2,500, Malaysia: RM6.00, Pakistan: Rs80.00, Philippines: Peso80.00, Singapore: S$4.00(Incl GST), Sri Lanka: Sirs180(Incl VAT), Taiwan: NT$60.00, Thailand: Baht50.00, Vietnam: US$2.50
KKDN PPS 648/11/2010 (028507) KKDN PP 9315/10/2010 (025811) MICA (P) NO. 048/10/2009 SK MENPEN R.I. NO: 01/SK/MENPEN/SCJ/1998 TGL 4 SEPT 1998

THE WALL STREET JOURNAL.

VOL. XXXIV NO. 115 (India facsimile Vol. 1 No. 176) * * ASIA Wednesday, February 10, 2010
DOWJONES A NEWS CORPORATION COMPANY asia.WSJ.com

Reuters

Toyota Managing Director Yuji Yokoyama, right, bows after submitting a recall document to Transport Ministry official Ryuji Masuno, center, on Tuesday.

Brakes prompt Prius recall

By Norihiko Shirouzu

TOKYO—A reluctant **Toyota Motor** Corp. on Tuesday announced a global recall of its flagship Prius and other gasoline-electric hybrid vehicles, even as executives suggested they weren't required to do so.

Toyota's quality chief, Shinichi Sasaki, said at a press conference here that the problematic brake systems in the recalled cars "meet safety standards," a comment implying the company isn't required legally to recall the vehicles. But Toyota decided to take action and update software that controls the brake system in order to "be in accordance with the spirit" of those standards, Mr. Sasaki said.

Many at Toyota—from top executives to engineers to sales managers—believe the Japanese auto maker is being forced into the corrective action on its popular hybrids because of heightened government and public scrutiny of recent quality problems at home and in the U.S.

These executives say the Prius problems are much smaller than, and unrelated to, the sudden-acceleration complaints that have triggered criticism of the company in recent days.

A top quality executive said in Toyota City recently that he believes the recalled hybrid vehicles' brake issue—what Toyota has described as a momentary loss of braking power during the slow and steady application of brakes on bumpy or slick road

Please turn to page 22

■ U.S. investigators question diagnosis of problem.....22

JAL stays in AMR alliance, Delta out

By Mariko Sanchanta And Mike Esterl

Japan Airlines Corp. chose Tuesday to keep its ties with **AMR** Corp.'s American Airlines rather than strike a new alliance with **Delta Air Lines** Inc., dealing a blow to Delta's trans-Pacific growth ambitions just as competition over Japan's skies heats up.

The decision caps a fierce, months-long battle between the two leading U.S. airlines over Japan's ailing national carrier. Despite its financial woes, JAL remains Asia's largest carrier by revenue, offering entry into the world's second-largest economy and an extensive route network through other parts of Asia.

The deal was a come-from-behind victory for American, which appeared for a time in danger of losing its JAL ties. Delta, in an audacious bid to gain a new partner, had persuaded Japanese bureaucrats that it could offer JAL a more prosperous future. But American turned the tide with an intense lobbying campaign in Tokyo and Washington that persuaded JAL's leadership that a tie-up with the larger Delta would fail antitrust

Please turn to page 16

EU summit turns to Greek triage

By Charles Forelle And Adam Cohen

BRUSSELS—A European Union summit originally called to ponder the path of the bloc's economy over the coming decade is instead becoming a crisis-management session for Greece, the euro zone's weakest member.

Separately, members of Germany's ruling coalition will meet Wednesday to discuss emergency financial support for Greece, a government official said. However, Germany hasn't made any decisions on potential emergency aid for Greece, a government spokesman said.

For weeks, investors have fretted that Greece's budget deficit and heavy national debt load put its sovereign bonds at risk of default if the country can't come up with the cash to make payments on its borrowings—a signal event that would cause tremors through the euro zone.

Bloomberg

ECB chief Jean-Claude Trichet

This has put a spotlight on the meeting of 27 national leaders set for Thursday in a hilltop library near the EU buildings here. Few observers say that the other euro-zone countries would let Greece simply default, but concerns over whether any aid would be needed, and if so how much and how soon, have jolted stock, bond and currency markets. Nervous investors also fear the Greek troubles could spread to other indebted nations, such as Portugal or Spain.

Mounting hopes that the European Union might be considering a rescue package for Greece spurred a broad stock rally in the U.S. The Dow Jones Industrial Average was up 135 points, or 1.4%, at 10044 Tuesday, after it had closed below the psychologically important 10000 mark Monday for the first time in three months. The tech-heavy Nasdaq Composite rose 1%. The Standard & Poor's 500-share index climbed 1.1%, with all of its sectors in the black.

Europe's major regional indexes also reflected some optimism: the U.K. FTSE 100 index rose 0.4% to 5111.84, the German DAX index climbed 0.2% to 5498.26 and the French CAC-40 index added 0.2% to 3612.76.

Reports that European Central Bank President Jean-Claude Trichet would cut short a meeting in Australia to travel to Brussels for the summit caused the beleaguered euro to gain strength against the dollar and for Greek bonds to trade higher, as investors interpreted the

Please turn to page 16

■ World markets reflect hopes of a Greek bailout..... 27

Standard Chartered
Foreign currencies aren't foreign to us
Best Emerging Markets Bank
Best FX House in Africa
Euromoney Awards for Excellence 2009
wholesalebanking.standardchartered.com
Standard Chartered Bank is regulated by the Financial Services Authority in respect of its conduct of business in the UK.

THE WALL STREET JOURNAL.
9 770374 692005

PAGE TWO

What's News—

* * * *Business & Finance*

■ **Optimism over a possible** aid deal for Greece buoyed U.S. stocks, with the DJIA up 2.1% at midday. Expectations of a Greek bailout gained weight on news that ECB President Trichet will leave an event in Australia to attend an EU meeting Thursday. Meanwhile, property plays helped push up Hong Kong's market. **27**

■ **Australian miner** Resource-house named the wrong Chinese firm when it announced a key 20-year supply deal last weekend, a slip that created confusion and could damage the company's credibility ahead of a planned IPO. **17**

■ **Nissan reported** a third-quarter profit and raised its full-year outlook, helped by cost cuts and stronger sales in China. **17**

■ **Coca-Cola posted** a 55% gain in fourth-quarter profit amid strong soda sales in developing economies such as Brazil and India. **20**

■ **It appears the British pound** has problems of its own amid the debate about the fate of Europe's crisis-racked currency. **25**

■ **UBS reported** its first quarterly profit in more than a year, but its private-banking business continued to hemorrhage wealthy clients spooked by assaults on Swiss bank secrecy. **25**

■ **Singtel posted** strong earnings, citing results from its Indonesian associate and favorable foreign-exchange rates. **20**

■ **Citigroup and Gazprom closed** a small but pioneering deal in China that could lay the foundation for a bigger nationwide market in carbon trading. **23**

■ **China's auto sales** more than doubled to a monthly record of 1.66 million vehicles in January. But auto executives don't expect rapid growth to be sustainable. **19**

■ **Japan's Koito Industries said** it falsified safety-testing data for some 150,000 airplane seats installed on about 1,000 Boeing and Airbus planes. **18**

■ **Macquarie Group said** second-half profit could potentially be 10% higher than its first-half result, bringing guidance closer to analysts' expectations. **24**

■ **U.S. wholesale inventories** fell unexpectedly in December, prompting analysts to suggest the economy may have grown by more than estimated in the fourth quarter. **WSJ.com**

■ **Mongolia said** IPOs of state-owned mineral assets could take more time as the government upgrades the stock exchange. **26**

■ **Vedanta Resources defended** its industrial and mining practices in the Indian state of Orissa, rebutting a report by Amnesty International that accused it of pollution and displacing tribes. **21**

Associated Press

Sri Lankan President Mahinda Rajapaksa, returning Tuesday from a visit to Russia, waves as he arrives in Colombo. He dissolved parliament Tuesday, setting the stage for new elections a day after authorities arrested the leader of the opposition, former army chief Gen. Sarath Fonseka, on charges he plotted to overthrow the government while running the army. **Page 6.**

* * * *World-Wide*

■ **Iran said it began** enriching some low-grade uranium for use in a medical-research reactor, brushing off fresh international threats of economic sanctions. **8**

■ **Speculation that the leader** of the Pakistan Taliban has died from wounds sustained last month in a U.S. missile strike intensified, with midranking Taliban fighters saying Hakimullah Mehsud was dead even though the militants' spokesman issued a fresh denial. **6**

■ **Aid groups in Pakistan need** nearly $538 million over the next six months to help hundreds of thousands of people displaced by army clashes against the Taliban, the U.N. said in a global appeal.

■ **Bollywood clashed** with local politics in Mumbai as backers of a right-wing party attacked cinemas to protest remarks by one of India's biggest stars. **3**

■ **China sentenced** earthquake activist Tan Zuoren to five years in prison, the government's latest move in an escalating campaign to strangle dissent. **4**

■ **China said its water** is far more polluted and its industry is producing more waste than previously realized, in a study environmentalists welcomed as a step toward greater transparency. **4**

■ **Malaysia's highest court** threw out an opposition attempt to reclaim political control of an important state, underscoring the judiciary's pivotal role in determining the balance of power in the country. **5**

■ **Afghanistan was hit** by avalanches along a high mountain road that buried hundreds of cars, left at least 28 people dead and severed a key artery connecting Kabul with the country's north. **6**

■ **A senior U.N. envoy arrived** in North Korea, the world body's highest-level visit to the country in nearly six years.

ONLINE TODAY

Most read in Asia

1. Opinion Asia: Hong Kong and Falun Gong
2. Gmail, Too, Seeks to Rival Facebook
3. CIC Offers a Glimpse of Holdings
4. Beijing Touts Bust of Hacker Ring
5. A Crisis Made in Japan

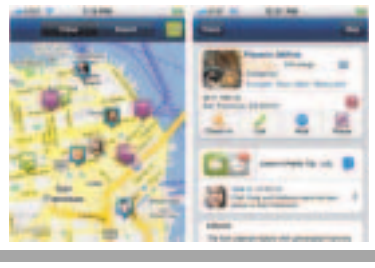
Most emailed in Asia

1. A Crisis Made in Japan
2. Canada Fears Housing Bubble
3. How to Succeed in the Age of Going Solo
4. Singapore Approves Casino
5. CIC Offers a Glimpse of Holdings

Digits

blogs.wsj.com/digits

Add another name to the list of converts to location-based ads: Loopt, a company that until now is better known for helping people find their friends.



Continuing coverage

Follow the latest news from across India at **india.wsj.com**.

Health Blog

blogs.wsj.com/health

To expand its business in emerging markets, Pfizer is offering a card that patients can present at the pharmacy to get a discount on their drugs.

Inside

In Depth: No exit in sight as Freddie, Fannie flail. **14-15**

Business & Finance: What CIC disclosures say about strategy. **18**

Corporate News: MGM Mirage to shed New Jersey casino. **19**

Heard on the Street: Yuan's rise needs less foreign rhetoric. **32**

THE WALL STREET JOURNAL ASIA
Dow Jones Publishing Company (Asia)
25/F, Central Plaza, 18 Harbour Road, Hong Kong
Tel 852-2573 7121 Fax 852-2834 5291
www.wsj-asia.com

SUBSCRIPTIONS and Address Changes, please telephone our local customer service hotline, Hong Kong/Taiwan: 852-2831 2555; Beijing: 86-10 6581 4090; Shanghai: 86-21 5836 8228; Indonesia: 62-21 344 1101; Japan: 81-3 6269-2760; Korea: 82-2 756 1695; Malaysia: 60-3 2026 4061; Philippines: 63-2 848 5873; Singapore: 65-6415 4000; Thailand: 66-2 652 0871. Or email: service@wsj-asia.com

ADVERTISING SALES worldwide through Dow Jones International. Hong Kong: 852-2831 2504; Singapore: 65-6415 4300; Tokyo: 81-3 6269-2701; Frankfurt: 49 69 29725390; London: 44 207 842 9600; Paris: 33 1 40 17 17 01; New York: 1-212 659 2176. Or email: wsja.publisher@dowjones.com

Trademarks appearing herein are used under license from Dow Jones & Company. USPS 337-350ISSN 0377-9920

WORLD NEWS

A political clash in Bollywood

By Eric Bellman

MUMBAI—Bollywood clashed with local politics here as backers of a right-wing party attacked cinemas to protest remarks by one of India's biggest stars.

Supporters of the Shiv Sena, a local Hindu nationalist party that seeks to increase the influence of the natives of Maharashtra, the state that includes Mumbai, broke windows and tore up posters at several movie theaters on Tuesday. More than 50 people were detained, according to police. Mumbai, which is India's financial and business capital, is home to the Bollywood film industry.

Protesters were expressing outrage at recent comments by actor Shah Rukh Khan, who said it was a mistake for India's professional cricket teams not to recruit gifted athletes from Pakistan. Shiv Sena supporters and other nationalist groups demanded the 44-year-old actor apologize. Mr. Khan, whose new film "My Name is Khan" is to be released Friday, declined.

The protests are the latest incidents of local parties competing to demonstrate their Hindu and Maharashtrian nationalism. The clashes are unfolding as the Shiv Sena is seeing an unprecedented challenge to its core of native Maharashtrians from a rival party.

Many Marathi speakers, who make up about half of Mumbai's population of 18 million, say they feel they have been bypassed by the city's growth and increasing wealth. They want their regional language to be taught in more schools, and more jobs and government aid to go to the region's original inhabitants.

Striking out at high-profile figures from elsewhere often resonates with the locals. Mr. Khan has spent most of his life in Mumbai but was born in Delhi. He also is a Muslim, another traditional opponent of the Shiv Sena.

"If we protest peacefully no one listens," said Balachandra Patil, a Shiv Sena supporter and a resident of south Mumbai. "We first try to make people understand, but if they don't, then we have to slap them."

Last week, the Shiv Sena, which was founded by cartoonist Balasaheb Thackeray in 1966, protested a visit by Rahul Gandhi, general secretary of the Congress party, which rules India.

Mr. Gandhi recently challenged the Shiv Sena's stance that Mumbai and the rest of the state of Maharashtra should promote the culture and livelihoods of locals by saying that the city is for all Indians. Mr. Gandhi, a possible future prime minister, avoided protesters by changing his tour route of Mumbai and boarding a local train, where he was welcomed by passengers.

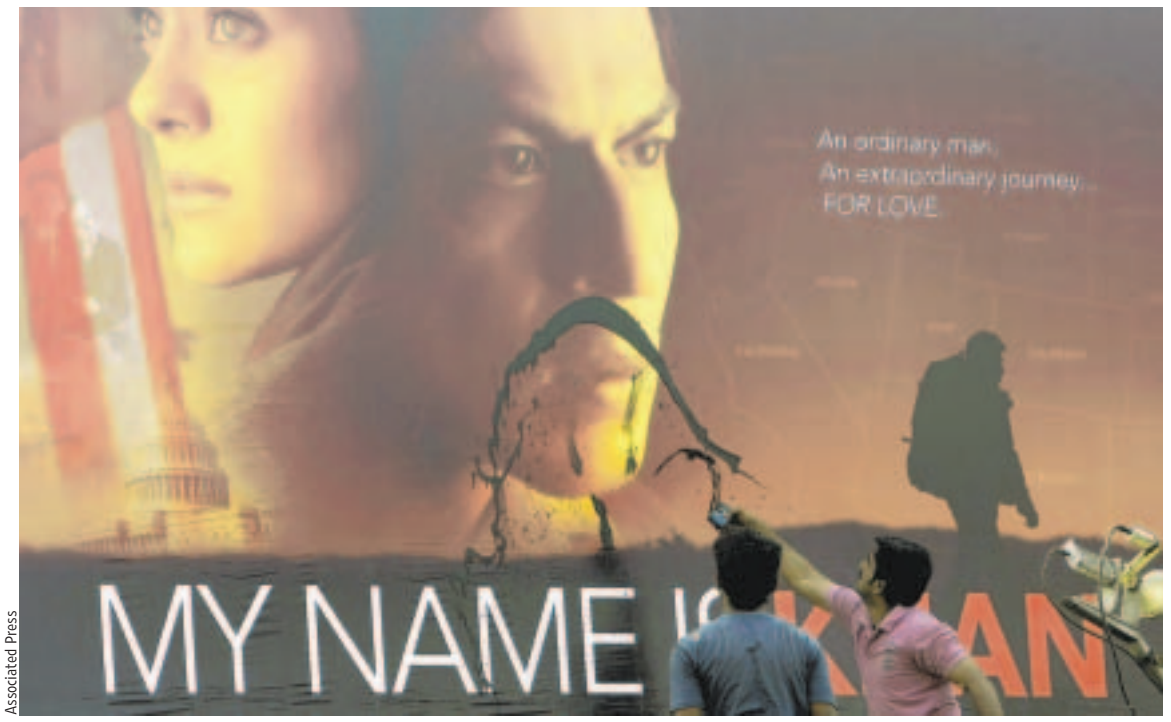
India's richest man, industrialist Mukesh Ambani, received a lashing in the editorial pages of the Shiv Sena's newspaper last month by saying the country's biggest cities should be shared by all Indians.

The real targets of the attacks may not, however, be New Delhi, Bollywood or big business, some analysts say. Rather, the Shiv Sena may be trying to use these clashes to ratchet up their pro-Maharashtrian rhetoric and hold on to supporters. The party has lost many voters and party workers to an off-shoot party called the Maharashtra Navnirman Sena, or Maharashtra Reconstruction Party, which is run by Raj Thackeray, a nephew of the Shiv Sena founder.

The MNS made headlines recently by bullying shop owners into translating their store signs into Marathi and by attacking taxi drivers and construction workers who have moved to Mumbai for work. In last year's elections, the MNS won almost as many votes as the Shiv Sena in some of the city's districts.

Mumbai police said they would add security to the cinemas scheduled to run Mr. Khan's film Friday.

—Arlene Chang contributed to this article.



Associated Press

Hindu nationalist activists vandalize a poster of Shah Rukh Khan's new film 'My Name is Khan' in Mumbai on Tuesday.

Asian Innovation Awards 2010
presented by:
THE WALL STREET JOURNAL. ASIA
in partnership with:
CREDIT SUISSE
Ready to get your invention rolling?
Sometimes recognition is all that's needed to elevate an idea onto the world stage.
From an entirely new invention to the advancement of a classic, the Asian Innovation Awards and the Credit Suisse Technopreneur Award are committed to finding the next big ideas in Asia.
Whether conceptualized in a backyard or a laboratory, we are seeking innovations that break with conventional processes in creative ways to improve quality of life or productivity, as well as those demonstrating the greatest potential for financial success.
Entries welcomed from individuals, small businesses, large corporations and academia in Asia Pacific, from any field including health care, technology, medicine, energy, social sciences, government and others.
To enter or to find out more, visit asia.wsj.com/aia
Deadline for entries: March 26, 2010

Activist gets 5 years

China sentences Tan, who probed school damage in Sichuan quake

By Sky Canaves

BEIJING—China's government sentenced Tan Zuoren, an activist who questioned official accounts of school collapses in the Sichuan earthquake of 2008, to five years in prison after convicting him on subversion charges, the government's latest move in an escalating campaign to strangle dissent.

A court in the provincial capital of Chengdu on Tuesday found Mr. Tan guilty of inciting subversion of state power for writings that commemorated the 1989 Tiananmen Square crackdown, according to his lawyer, Pu Zhiqiang.

Mr. Pu, human-rights groups and other supporters say they believe the underlying reason for Mr. Tan's prosecution was his investigations into the collapse of school buildings during the May 2008 earthquake and the resulting deaths of thousands of schoolchildren.

Previous charges against Mr. Tan included references to his activism on the earthquake, a sensitive matter for authorities. But Tuesday's verdict didn't mention the earthquake, and Mr. Pu said the issue wasn't raised during Mr. Tan's trial, which took place last August. Chinese courts, which are ultimately controlled by the ruling Communist Party, often delay verdicts after trials conclude, although generally not as long as six months.

Agence France-Presse

Tan Zuoren, in an undated picture

The verdict against Mr. Tan is the latest in a string of high-profile dissident convictions in recent months that human-rights analysts say represent a major ratcheting up of official repression. The efforts to stifle dissent have continued well after the Beijing Olympics in August 2008 and the 60th anniversary of the founding of Communist China last October, defying hopes from many that authorities would ease limits after those politically sensitive events ended.

The same Chengdu court that sentenced Mr. Tan Tuesday also rejected an appeal brought by Huang Qi, another earthquake activist, according to his lawyer, Mo Shaoping. Mr. Huang was sentenced in November to a three-year prison term on charges of possessing state secrets.

In December, a court convicted veteran democracy activist Liu Xiaobo, China's most prominent dissident, to an unusually long prison sentence of 11 years for criticism of the government that authorities said incited subversion. That sentence was interpreted by rights activists as a warning to other dissidents. A ruling on Mr. Liu's appeal is expected later this week, though chances of success are unlikely.

Mr. Tan received the maximum five-year sentence and will be deprived of his political rights for an additional three years. Mr. Pu said his client will appeal the sentence.

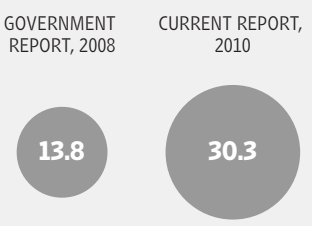
A court officer at the Chengdu Intermediate People's Court confirmed the guilty verdict and sentence but declined to comment further.

Reuters

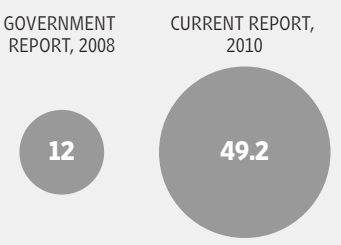
Drainage disparity

The current national survey tallied up pollution from 6 million industrial, agricultural and residential sources. Here are some findings compared to previous reports:

Discharge of chemical oxygen demand; a measure of water pollution in wastewater, in 2007, in millions of tons:



Discharge of solid industrial waste in 2007, in millions of tons:



Source: Xinhua

A child drinks water near a polluted stream in China's Fuyuan county, Yunnan province.

China sees vast pollution

By Shai Oster

BEIJING—China's government said its water is far more polluted and its industry is producing far more waste than previously realized, in a major study that environmentalists welcomed as a step toward greater transparency.

China's first official nationwide census of pollution sources, issued Tuesday, found that the amount of pollution discharged into the water totaled 30.3 million metric tons in 2007—more than double the 13.8 million tons reported for that year in a 2008 report, where the government said water pollution had declined 3% from 2006.

At a news conference, Zhang Lijun, vice minister for environment protection, said the huge increase reflected the census's more accurate measurements that for the first time included wastewater runoff from farms that is laden with chemicals such as ammonia. The chemicals are in fertilizers and pesticides that have revolutionized food cultivation but are misused by millions of farmers who typically work on fragmented plots of land.

The new numbers underscore the urgent need for China to clean up its waterways, because of their shrinking capacity to absorb more pollution. China estimates its water has the natural ability to safely absorb about seven million tons a year of pollution discharge.

Still, the report represents "an important first step to recognize the problem. Then you can take action," said environmentalist Ma Jun , head of the Institute of Public and Environmental Affairs, a nonprofit organization that has compiled a database of nationwide air and water pollution using public records. "I think this is highly positive for this data to be disclosed."

Environmentalists said the survey's effectiveness in sparking change may be limited by reluctance among local officials, who are mostly judged on economic performance, to employ tougher standards that might limit industrial growth. Mr. Zhang, the vice minister, said the results of the census, which involved years of effort and about half a million workers, won't be considered in annual performance reviews of government bureaucrats.

Tuesday's data also indicated that China is producing far more industrial waste, including hazardous material, than previously reported. The ministry said industrial solid waste such as particles from mines or steel mills totaled 49.14 million tons in 2007—more than triple earlier figures for the year. The ministry didn't give an explanation for the discrepancy.

Pollution and other environmental issues have become a leading cause of social unrest in China, in addition to spurring health concerns.

中国实时报
CHINAREALTIMEREPORT

The Wall Street Journal's China Real Time Report ***http://blogs.wsj.com/chinarealtime)*** *has recently looked at what China's deficit says about its stimulus and how the U.S. tough talk on currencies could backfire in Beijing. Excerpts:*

Vanishing fiscal stimulus

China's announcement of a smaller-than-forecast budget deficit for 2009 generated little market reaction and less analyst commentary. That lack of response highlights how the government's formal stimulus package has had much less economic importance in China than similar efforts in developed economies. In China, it's really been all about the banks.

China captured global attention with the announcement of its four trillion yuan ($605 billion) stimulus plan in November 2008. Yet it eventually became clear that official government spending was not at the heart of the recovery strategy: The package called for just 1.18 trillion yuan in new central government investment over two years, along with some tax breaks. That sum was dwarfed by the explosion in bank lending that began in early 2009. By the end of the year, official data showed 9.59 trillion yuan in new loans had been issued.

The preliminary accounts for 2009, published by the Ministry of Finance on Friday, show even less of a fiscal stimulus than originally thought: the budget gap was equivalent to 2.2% of the year's economic output, against the expected 3.0%.

Since the budget deficit in 2008 was about 0.4% of GDP, the original budget for 2009 implied a boost of about 2.6 percentage points of GDP from fiscal stimulus. The latest figures imply that the swing was actually just 1.9 percentage points of GDP, most of which came in the first half of the year.

The strange thing about China's apparent preference for stimulating the economy via the banking system is that much of the new bank credit was really fiscal spending in disguise. A large proportion of bank loans last year—there is dispute about just how much—went to local development companies to build infrastructure projects blessed by government officials.

But doing all those de facto stimulus projects through the banking system evaded the checks and balances built into the official budget process. That probably led to more waste and corruption than would otherwise have been the case. In December, Premier Wen Jiabao publicly admitted that the banks had lent more aggressively than the government really wanted.

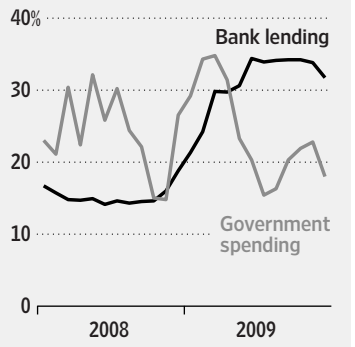
One result of those choices is that China still has what appear to be rock-solid government finances despite a huge stimulus—a sharp contrast to some countries these days. Fitch Ratings puts government debt at just 24% of last year's GDP.

So China isn't under market pressure to reduce its budget deficit. Indeed many economists think a bigger deficit would be reasonable and even desirable, especially if it means bringing some of that disguised spending onto the formal books. A higher priority should probably be reining in the risks building up on banks' loan books, which, according to Goldman Sachs, could be hiding government debt of another 20% or so of GDP.

—Andrew Batson

Tale of two stimuli

China's bank lending and government spending, change from a year earlier



Sources: People's Bank of China; Ministry of Finance

Tough talk backlash

It may seem like the stars are aligning for China to let its currency rise, but recent tough talk from the U.S. may make such a move less, rather than more, likely.

President Barack Obama's talk last week of monitoring exchange-rate policies may be welcome in Washington, but may actually discourage China from budging on the yuan, or renminbi.

As Credit Suisse economist Tao Dong put it Friday in a research note, "movement in the RMB exchange ultimately is a political decision, and the Chinese leaders will want to avoid being seen domestically as bowing to foreign pressure."

ING Financial Markets economist Tim Condon said Thursday the government "tends to freeze economic policies when political tension increases, which we think reduces the likelihood of any move on the renminbi in the current environment of elevated U.S.-China political tension."

Economic reasons for exiting the policy of keeping the yuan steady versus the U.S. dollar—one in place since July 2008—have become more solid in the past few months, but relations with the U.S. have been worsening since the start of the year.

Beijing may grow yet keener to project strength by maintaining the currency status quo. After Obama's remarks, state-controlled China Daily, an English-language newspaper, said in a front-page article Friday that Beijing "won't fold on RMB," while Foreign Ministry spokesman Ma Zhaoxu said the exchange rate has never been a major cause of bilateral trade imbalances and outside pressure won't help resolve the issue.

None of which is to suggest that China is resisting a movement on the currency just to spite the U.S.

With bilateral ties deteriorating, however, the economic arguments against, rather than for, letting the currency rise, may look more appealing to Beijing.

—Terence Poon

WORLD NEWS: ASIA

Malaysia opposition loses power bid

Rejection of attempt to reclaim control of Perak state turns focus on judicial system, gives prime minister a boost

By James Hookway

KUALA LUMPUR—Malaysia's highest court threw out an opposition attempt to reclaim political control of an important state, underscoring the judiciary's pivotal role in determining the balance of power in this resource-rich but divided country and providing a lift to Prime Minister Najib Razak.

Tuesday's decision also comes at a time when the main opposition leader, Anwar Ibrahim, is on trial for sodomy, a crime under Malaysian law. He denies the allegations, which he says are part of a government conspiracy to discredit him—a claim the government likewise denies. Political analysts say the country's judicial system is coming under scrutiny as its role in settling domestic feuds expands.

The issues involved in Tuesday's decision were more local. Malaysia's opposition alliance won control of tin-rich Perak state in northern Malaysia in 2008 in what was seen as a crucial victory. Perak is one of the country's most important states, with large auto, agriculture and mining interests, and its flirtation with the opposition has greatly frustrated the country's ruling elite.

But the state's parliament was left in limbo in early 2009 after Malaysia's ruling National Front coalition convinced three opposition members to switch over to its ranks—enough to give it a majority in the state legislature and to boost Mr. Najib, who in April 2009 took control of the national government.

The state's sultan, an unelected local royal ruler who has limited constitutional powers, ordered the opposition-led state government of Nizar Jamaluddin to step down, and appointed a pro-National Front government to take its place.

Agence France-Presse/Getty Images

Perak's ex-chief minister, Nizar Jamaluddin, center, waves to supporters at the Federal Court in Putrajaya on Tuesday.

Mr. Nizar refused to quit, saying Sultan Azlan Shah had the right to appoint but not remove a government. That prompted a long legal battle that was resolved Tuesday when Federal Court Chief Judge Arifin Zakaria said Perak's sultan had a right to remove a government if it refuses to quit.

Several hundred supporters from both camps squared off Tuesday outside the Federal Court building in Putrajaya, Malaysia's administrative capital, and had to be separated by riot police.

Mr. Nizar condemned the result as in effect a return to absolute monarchy by expanding the powers of the sultan.

Political analysts here say Tuesday's ruling demonstrates the significant political role Malaysia's legal system is playing as the National Front government and its opponents butt heads more frequently.

Malaysian government officials and senior judges such as Mr. Arifin and Chief Justice Zaki Azmi say the judiciary is up to the challenge and impartial, and political and legal analysts say some courts have become increasingly independent-minded in recent years.

In December, a Kuala Lumpur High Court judge overturned a government ban on Christians using the term "Allah" as a translation for God, incensing many Muslims who say the word is reserved for Islam.

Lower courts initially ruled that the government's takeover of the state assembly in Perak was illegal. However, that decision was overruled by Malaysia's Appeals Court and, on Tuesday, by the Federal Court, the country's highest court. Many analysts expect the "Allah" verdict also to be overturned on appeal.

"What this shows is that the Federal Court is under the thumb of the government and that the space for legal challenges to the government gradually is being curtailed," said James Chin, a political-science professor at the Malaysian campus of Australia's Monash University.

International human-rights groups and others have increased criticism of Malaysia's justice system since the trial of Mr. Anwar got under way last week.

The U.S. State Department has previously expressed concern as to whether Mr. Anwar, 62 years old, will receive a fair trial, while Michael Danby, chairman of the Australian parliament's foreign affairs subcomittee, last week said Malaysia's legal system was being "manipulated" by Mr. Anwar's political opponents. Malaysia's deputy foreign minister, A. Kohilan Pillay, Monday warned foreign governments not to "meddle" in Mr. Anwar's case.

Malaysia's government and Mr. Razak, the prime minister, have denied having anything to do with the allegations against Mr. Anwar, which emerged in 2008 when a former aide accused the opposition leader of sodomizing him.

Mr. Anwar was arrested in 1998 on a similar charge after challenging the government of then-Prime Minister Mahathir Mohamad , and convicted. He spent six years in jail before his conviction was overturned on appeal in 2004, the year after Dr. Mahathir retired.

Like this time, Mr. Anwar in 1998 said the allegations against him were fabricated to destroy his reputation. Dr. Mahathir denies there was any conspiracy against Mr. Anwar.

India halts bid to grow modified eggplant

By Krishna Pokharel

NEW DELHI—India put on ice its plans to allow the commercial cultivation of genetically modified eggplant after facing opposition from states and environmental groups, in a case that has been viewed as a litmus test for whether the government would embrace genetically modified crops to bolster food production.

The setback for commercial farming of genetically modified eggplant won't stop the use of biotechnology in India's agricultural sector, the environment minister said.

The government's move on Tuesday overturned an earlier decision by a government committee, which in October had approved the commercialization of Bt Brinjal, the eggplant named after its genetic modification. The government had said at the time that it would make a final decision only after consultations with farmers, consumers, scientists and state governments.

Jairam Ramesh, India's environment minister, said Tuesday that "a moratorium on the release" of the eggplant has been imposed until "independent scientific studies establish, to the satisfaction of both the public and professionals, the safety of the product from the point of view of its long-term impact on human health and environment."

The halt on the prospect of commercial farming of genetically modified eggplant won't stop the use of biotechnology in the country's agricultural sector, Mr. Ramesh added. Cotton is the only genetically modified crop commercially cultivated in India, one of 25 countries growing such crops. The eggplant would have been India's first genetically modified food crop—and the world's first commercially cultivated genetically modified vegetable.

India's major eggplant-growing states, along with environmentalists and consumer-health activists, were apprehensive that the commercial farming of the eggplant would adversely affect human health, the environment and the existing natural variety of eggplant in India.

The debate took on a political hue a few hours before the government announced its decision. A spokesman for the opposition Bharatiya Janata Party, speaking to an Indian television channel, asked the government to refrain from action "that gives impression that it has been done under pressure of multinationals."

Associated Press

Environment Minister Jairam Ramesh, left, met activists opposed to genetically modified crops, in Ahmedabad in January.

Bt Brinjal is developed by **Maharashtra Hybrid Seeds Company** Ltd., or Mahyco, a leading private Indian seed company. The plants have been modified to withstand attacks from pests, including those that bore into the plant's fruit and shoots and destroy them. Scientific tests on the eggplant have been carried out in India since 2000.

India is one of the largest producers of eggplant in the world, and the crop accounts for 9% of the country's vegetable production.

WORLD NEWS

Rumors intensify over Taliban chief

In sign that Pakistan's Mehsud might be dead, militants appear to be focusing on finding a new leader

By Matthew Rosenberg

Speculation that the leader of the Pakistan Taliban has died from wounds sustained last month in a U.S. missile strike intensified Tuesday with midranking Taliban fighters saying their chief was dead, even though the militants' spokesman issued a fresh denial.

Pakistani military and intelligence officials also said they couldn't confirm the death of Hakimullah Mehsud. But the militants' focus appears to be shifting toward finding a new leader, a sign that increases the likelihood of Mr. Mehsud's death. If he is dead, he would be the second Pakistan Taliban leader to be killed in about six months.

U.S. and Pakistani officials have expressed hope that Mr. Mehsud's death, if true, would be a major blow to the Pakistan Taliban, an offshoot of the Afghan movement that has launched numerous terror strikes in Pakistan's major cities and battled Pakistani forces in the tribal areas that border Afghanistan.

Tribal elders from areas where the Pakistan Taliban dominate also said they were unsure when and where he died, and a few said they, too, didn't know whether the rumors were true. "We have been hearing the same rumors for the last couple of days. Some say that Hakimullah has died and some say that he is alive," said one tribal elder, Haji Zaman, in a telephone interview.

Pakistani and U.S. officials cautioned that if Mr. Mehsud is indeed dead, it is still too early to say whether the Pakistan Taliban—a collection of sometimes competing factions—could splinter. When the group's first leader was killed in an August strike by a U.S. drone, Mr. Mehsud quickly assumed command and kept the Pakistan Taliban united. He was also rumored then to have died in a succession struggle only to re-emerge publicly weeks later.

But in one indication he may be dead this time, there appears to be serious jockeying to succeed him, said tribal elders and midlevel Taliban fighters. They said two men had emerged as likely successors: Wali-ur-Rehman, a prominent Taliban fighter who was passed over for the top job in August, and a relatively unknown commander, Maulvi Noor Jamal.

European Pressphoto Agency

The death of Hakimullah Mehsud, shown here in a photo from October, would be a huge blow to the Pakistan Taliban.

Both men are in their 30s. Mr. Rehman hails from the Mehsud tribe of South Waziristan. The region and the tribe is the power base of the Pakistan Taliban, but the militants have lost much of their territory there in a recent offensive by Pakistan's military.

That has forced many Taliban fighters into the nearby Orakzai tribal area, where Mr. Jamal holds sway. He is portrayed as a confidant of Mr. Mehsud and shares the latter's reputation for brutality. "He himself announces punishments and also himself punishes people with his own hands," said Mr. Zaman, the tribal elder.

Mr. Zaman said Mr. Jamal had been nominated to succeed Mr. Mehsud at a recent meeting of Taliban commanders, although the leadership question wasn't yet completely settled.

Mr. Mehsud is believed by U.S. and Pakistani officials to have aided an al Qaeda bombing of a U.S. base in Afghanistan that killed seven Central Intelligence Agency employees in December; he appeared in a video with the alleged attacker, an al Qaeda double agent, released a few weeks after the bombing.

Rumors of Mr. Mehsud's death have circulated for weeks, alleging that he died in late January from wounds sustained in an airstrike by a U.S. drone aircraft earlier in the month in the North Waziristan tribal area, a Taliban and al Qaeda bastion. Mr. Mehsud had released an audiotape on Jan. 16 saying he was alive.

Officials in both the U.S. and Pakistan have often differed on the veracity of the reports; some have expressed near certainty that he is dead, while others have said they simply don't know.

The Taliban have consistently denied Mr. Mehsud is dead, and the group's spokesman, Azam Tariq, was quoted as repeating those denials Tuesday by the Geo TV station.

The latest round of speculation began Tuesday with Pakistan's Samaa television station saying it had confirmed Mr. Mehsud's death. Citing militants, the station reported that he had died Sunday while being transferred from the tribal areas to the Arabian sea port of Karachi for medical treatment.

Gen. Athas Abbas, the spokesman for Pakistan's military, said: "We cannot confirm the report of Mehsud's death." U.S. officials had no comment.

—Zahid Hussain contributed to this article.

Sri Lankan leader calls vote

By Eric Bellman And Arlene Chang

Sri Lankan President Mahinda Rajapaksa dissolved the country's parliament Tuesday, making way for a national election two months earlier than scheduled.

The move toward an early parliamentary election came a day after the arrest of the former army chief who had run against Mr. Rajapaksa in last month's presidential election, the country's first since last year's defeat of separatist Tamil rebels. Mr. Rajapaksa, the incumbent, handily won. The former head of Sri Lanka's army, Sarath Fonseka, is now facing a court martial on charges of alleged fraud and military offenses.

The sacking of the country's parliament could be an attempt for the president to ride the wave of popularity from his own election to strengthen his party's position in parliament. In last month's election, he attracted 58% of the votes, according to the official tally, while Gen. Fonseka got 40%.

Wanting to follow up the presidential victory with a stronger position in parliament is "natural for a leader of any political party," said K. Santhanam, the retired director-general of the Institute of Defence Studies and Analyses in New Delhi.

It was still unclear late Tuesday when the elections would be held. The current parliamentary session is scheduled to end in April.

"The term of this present parliament anyways ends in April. The Election Commission will decide when re-election will be held," said Ranjith Uyangoda, director-general of public communications for Sri Lanka's Ministry of Foreign Affairs.

The move could be an attempt by the president to ride the wave of popularity from his own election to strengthen his party's position in parliament.

The administration's aggressive tactics following the presidential election show the continued deep divide among Sri Lankans following more than 25 years of ethnic conflict. The conflict ended last May when government forces from Sri Lanka's predominantly Buddhist Sinhalese majority wiped out the Liberation Tigers of Tamil Eelam, who fought in the name of the largely Hindu, Tamil minority.

Sri Lankans had hoped the January presidential election would help the country chart a path forward. Instead, it has underscored how the Tigers' defeat has done little to change the power dynamics that first led to instability and the rebellion in the country.

The battle between Mr. Rajapaksa and Gen. Fonseka even after the polls shows that opposition to the majority will continue to be suppressed, even when the minority isn't Tamil, observers said.

"I think Rajapaksa made a grievous mistake by detaining Fonseka, who is also a Sinhala," said Mr. Santhanam. "Detaining him shows the fissures in the community as a whole."

In what could be an attempt to rally its base of supporters, the opposition called Tuesday for countrywide protests while accusing the government of taking the country toward dictatorship.

"We will take this matter to courts, we will take it before the people and we will take it before the international community," said Rauf Hakeem, an opposition lawmaker.

Big Afghan avalanches kill 28, trap hundreds

By Matthew Rosenberg

KABUL—Avalanches along a high mountain road in Afghanistan buried hundreds of cars, leaving at least 28 people dead and severing a key artery connecting Kabul with the country's north.

Afghanistan's Defense Ministry said 500 Afghan soldiers had been dispatched to dig out the hundreds of people believed to be trapped under the snow in the Salang Pass. At least 1.6 kilometers of roadway in the pass remained buried Tuesday, a day after the avalanches struck.

The Defense Ministry said at least 70 wounded people had been taken to nearby hospitals. At least 2,000 people had already been rescued and efforts to dig out those who remained trapped were ongoing, said Suhrab Ali Safari, the acting public works minister.

The avalanches, trigged by a heavy snowstorm, initially buried about 4.8 kilometers of the road, officials said.

There were no indications that U.S. or North Atlantic Treaty Organization personnel were among those killed, wounded or trapped.

Coalition forces lent a Chinook helicopter to the rescue effort, which also drew on heavy equipment, such as bulldozers, from the Afghan National Army. Afghan military helicopters, meanwhile, dropped food to people stuck between blocked sections of the road, officials said.

President Hamid Karzai ordered the ministries of public works, defense and disaster control to "use all possible means to get the roads unblocked and rescue those trapped and stranded in the heavy snow," the president's office said.

The avalanches didn't appear to have any effect on the fight against the Taliban; the Salang Pass is in a relatively peaceful part of northern Afghanistan.

The pass connects Kabul with the northern city of Mazar-i-Sharif. A tunnel that runs beneath the pass was blocked in the late 1990s by the Northern Alliance to keep the Taliban, which then controlled much of the country, from advancing north.

In 1982, hundreds of soldiers from the Soviet Union's occupation force in Afghanistan perished during a fire in the tunnel.

—Habib Zohari contributed to this article.

Every dollar invested in energy efficiency today could return two dollars in energy savings.

Energy efficiency doesn't just reduce carbon emissions, it also yields remarkable economic gains. A recent report by McKinsey & Company concludes that investments in U.S. energy efficiency of $520 billion in the next 10 years would generate energy savings of $1.2 trillion.*

At Chevron, we've focused on energy efficiency for decades. Since 1992, we've improved the energy efficiency of our own global operations by 28 percent. We also design and install high-efficiency energy upgrades to help others achieve similar results. So far, we've helped schools, colleges, government agencies, and businesses of all sizes reduce energy costs by over $1 billion.

Over the past 30 years, the world has made enormous strides in energy efficiency. Today, we can accelerate the pace of improvement by resolving to use energy more wisely.

This is the power of Human Energy.

chevron.com

Chevron Human Energy®

*McKinsey & Company's report examined greater efficiency in the stationary uses of energy in the U.S. only. All data from this report are expressed in net-present-value terms.

CHEVRON, the CHEVRON HALLMARK, and HUMAN ENERGY are registered trademarks of Chevron Intellectual Property LLC. © 2009 Chevron Corporation. All rights reserved.

WORLD NEWS

Greek woes raise bailout questions

While ECB and national banks can't directly aid country, some euro-zone nations or the IMF could step in

By Adam Cohen And Charles Forelle

European Pressphoto Agency

Former Olympic Airways contract employees demand their jobs back at a rally outside the Labor Ministry in Athens on Monday.

Menu of options

EU officials are swatting down talk of a bailout for Greece. But, should it come to that, the bloc has several options.

Bilateral loans
Neither national central banks nor the European Central Bank could issue debt for Greece, but nothing stops national governments from making loans out of their own budgets.

EU-coordinated bailout
An EU treaty permits the bloc to give financial help to a country faced with 'exceptional occurrences beyond its control.'

International Monetary Fund
The IMF has bailed out three EU countries, Hungary, Latvia and Romania, though none is in the euro zone. Falling back on the IMF could be a major blow to the common currency.

BRUSSELS—European officials here are quick to scoff at talk of a bailout for crisis-racked Greece, the hardest-hit country in the euro zone, insisting Athens needs to get its fiscal house in order.

But if the sovereign-debt worries that are infecting the currency area's weakest members intensify, and Greece has trouble refinancing its heavy borrowings, European policy makers will have several options to help Greece out of its jam.

They are rarely discussed publicly, though, since a bailout would be a grim milestone for the common currency—an admission that European Union budget rules designed to maintain a stable euro are deeply inadequate.

Greece's borrowing costs have risen sharply in recent months on market fears the country can't handle its ballooning budget deficit, which soared to almost 13% of gross domestic product last year—far above the euro-zone limit of 3%.

The country is entering a critical period this spring, when it needs to borrow almost €23 billion ($31.42 billion), which makes up a little more than 40% of its expected borrowing for the year.

The troubles in Greece point up a longstanding weakness in the governance of the common currency. While the European Commission can demand that countries trim their deficits, it has few tools to enforce those orders since control of national budgets always remains the province of individual countries.

Giving aid to Greece wouldn't be straightforward, since the European Central Bank and national central banks can't bail out countries, according to the EU's governing treaty.

But several EU diplomats and experts say there are no such strictures on individual governments. Euro-zone countries can't be forced to accept liability for their brethren's borrowing, but there is nothing to keep them from voluntarily helping others.

EU diplomats in Brussels say the most likely contingency plan for Greece would involve a support package led by Germany and France, the euro zone's largest and most stable economies. A German government spokesman says Germany is "crystal clear" that Greece must work through its problems; French officials have repeatedly said a bailout isn't on the cards.

Another part of the EU charter explicitly says the bloc can step in with financial aid, if there are "exceptional occurrences" involved. This clause in the treaty usually covers natural disasters, but it could be extended in theory to severe financial disruptions.

"In principle, the other member states of the European Union can deal with this," says Paul De Grauwe, an economics professor at Belgium's Catholic University Leuven. "There is nothing in the treaty that says they cannot do it."

Mr. De Grauwe says that there is "no institutional framework" for bailing out member states and that policy makers would need to come up with ad hoc solutions. One option, he says, may be debt backed up by the guarantees of larger EU countries—akin to the Brady bonds created after the Latin American debt crisis of the 1980s.

Officials from EU countries and the European Commission say they want to avoid Greece's needing to appeal to the International Monetary Fund for help. The IMF has bailed out three EU countries—Hungary, Latvia and Romania—in the current crisis, but no euro-zone nations.

The bloc also fears the IMF might give Greece more-lenient terms than the commission and other EU states are demanding, allowing a longer period for the country to curb its deficit, according to one EU diplomat. This concern surfaced last spring when the EU and IMF jointly gave Romania an emergency loan. The commission warned the IMF that its original lending plan would allow Romania to keep flouting the EU's budget rules.

If Germany and France mobilize support, they may also ask for contributions from Italy and the Netherlands, EU diplomats said, the other euro-zone economies that may have the capacity to help a struggling peer. This bailout could take any of several forms, including a direct cash grant, a loan facility linked to other governments' borrowing programs or even a guarantee.

Iran begins enriching uranium, brushing off threats

Agence France-Presse/Getty Images

Iran's Nuclear Chief Ali Akbar Salehi addresses the media last fall.

By Chip Cummins

DUBAI—Iran said Tuesday it has begun enriching some of its low-grade uranium for use in a medical-research reactor, brushing off fresh international threats of economic sanctions.

State media reported the enrichment started Tuesday morning at Iran's pilot enrichment facility in Natanz, under the supervision of inspectors from the International Atomic Energy Agency. Iran formally notified the United Nations nuclear watchdog of its intentions to begin enrichment in a letter late Monday.

The decision is the latest by President Mahmoud Ahmadinejad in defiance of Western efforts to curb Tehran's nuclear ambitions. It comes after new calls this week by Western officials to pursue economic sanctions against Iran. Tehran says its nuclear ambitions are peaceful.

Russia, which has long wavered in its support of U.N.-backed sanctions, has been more forceful criticizing Iran's recent actions, raising hope that Moscow may ultimately support new punitive measures.

On Tuesday, the head of Russia's national-security council said Iran's move raised "doubts" about Tehran's intentions. "Iran claims it is not trying to acquire nuclear weapons," Russian news agency Interfax quoted Nikolai Patrushev, secretary of the security council, as saying. "But actions such as starting to enrich low-enriched uranium up to 20% raise doubts in other countries and these doubts are fairly well-grounded."

Israeli officials, who have kept a generally low profile amid recent nuclear negotiations between the West and Iran, reacted strongly to the new enrichment effort. At a lunch meeting with European ambassadors at Jerusalem's King David Hotel, Prime Minister Benjamin Netanyahu called on the international community to inflict "crippling sanctions, and these sanctions must be applied right now."

Last year, Iran and Western negotiators agreed to a draft deal hammered out at the IAEA that called for Tehran to ship the bulk of its low-enriched uranium for further processing overseas. The enriched fuel would be shipped back for use in the medical reactor in Tehran.

Iranian officials refused to give the agreement a final nod. Several Iranian officials have openly criticized it. Tehran suggested several major changes and warned it would enrich the needed fuel on its own if a compromise wasn't reached.

Washington and its allies worry that by enriching its uranium for use in the medical reactor, Iran could more easily continue enriching fuel to a much higher specification. For use in nuclear weapons, fuel needs to be enriched to as much as 90% uranium.

Months of criticism of the deal in Tehran led many officials in Washington and allied capitals to assume Iran had no intention of approving the plan. Then last week, Mr. Ahmadinejad surprised officials by saying Iran didn't have a problem with the IAEA-brokered deal.

He appeared to reverse course again Sunday, ordering the enrichment to begin.

The director of Iran's Atomic Energy Organization, Ali-Akbar Salehi, said Iran remains open to talks on securing fuel from overseas. "The beginning of the enrichment is not tantamount to the end of interaction and negotiations on a U.N.-brokered proposal on fuel swap," he said, according to Press TV, Iran's state-run, English-language news outlet. "The Islamic Republic of Iran is still ready to continue cooperation if the negotiation parties act wisely and end wasting time."

It is still unclear how quickly Iran would be able to refine significant amounts of its stockpiled, low-enriched uranium to the 20% purity level necessary for use in the medical reactor.

Mr. Salehi suggested Iran's new enrichment efforts were still small-scale. On Tuesday, he told state media Iran had set up a new "cascade" of centrifuges separate from those that Iran has used to refine its low-enriched fuel. He said this cascade was "more on a lab scale," without elaborating.

WORLD NEWS: U.S.

Permit delays slow mining projects

Companies that face an average wait time of seven years turn to mineral imports, despite domestic reserves

By Robert Guy Matthews

Obtaining the permits and approvals needed to build a mine in the U.S. takes an average of seven years, among the longest wait time in the world. So despite having vast underground stores of raw materials, the U.S. is one of the last places miners go to start a project.

At the proposed Kennecott Eagle nickel mine in Michigan's sparsely populated Upper Peninsula, the wait is at seven years and growing. Global miner **Rio Tinto** says the project would fill a raw-material gap in the U.S. economy, but the company has yet to produce an ounce of nickel there.

Last month, a state agency issued a final order making state water, air and mine permits effective, but Rio still needs a federal water permit. And the company expects challenges from environmental groups.

Associated Press

Kennecott Minerals project manager Jon Cherry, right, at a proposed mine site in Big Bay, Michigan, in 2005. The company hopes to begin mining copper and nickel there but it is still working on permits.

Overall, the U.S. is tied with Papua Guinea for the longest approval process among the 25 top mining countries in the world, according to Behre Dolbear Group, an international mining and mineral advisory group. In Australia, a huge mining center, the process takes an average of one to two years.

The length of the mine-approval process means that the U.S., while having the reserves as well as the market appetite for metals and minerals, remains one of the top importers of the materials from Australia, Brazil, Canada and Africa.

"We are becoming more and more dependent on metal imports in the U.S.," said Luke Popovich, spokesman for the National Mining Association, an industry group. U.S. imports of selected metals—including gold, copper and zinc—rose 8.7% from 1998 to 2008, according to the U.S. Geological Survey.

The time frame in the U.S. isn't necessarily reflective of tougher laws. Australia and Canada have environmental laws for mine building that are on par with U.S. rules. But mine building often draws more opposition in the U.S. than in those countries. Part of that is due to mining's checkered history and reputation for pollution, abandonment and sometimes-shoddy management. Mining companies in the U.S., have cleaned up their management for the most part, but reputations haven't caught up.

Emily Bernhardt, ecologist and assistant professor at the biology department at Duke University, says a focus on the length of the permitting process in the U.S. is misplaced. "The length of time it takes for permitting is almost irrelevant because they are not always looking at the right issues," she said.

This month, Ms. Bernhardt coauthored a scientific paper calling on the U.S. Environmental Protection Agency and the Army Corps of Engineers to stay all new mountaintop mining permits. One issue is the permits focus on mainly local mining-site environmental impacts but don't take into account impacts far from the mine site, she said.

Minerals are critical to economies, as raw materials for power stations, bridges, cars, appliances and computers. They are limited by nature and can't be mass produced. Having a domestic source means lower distribution and shipping costs. And mines generate jobs and taxes.

But mines also permanently change a landscape and community with new roads, heavy equipment and traffic. Their impact on water sources is increasingly being scrutinized both in local communities and through regulation and court processes. Environmentalists, conservationists and some scientists are studying whether minerals leaching into water systems can harm water purity or cause health problems. Other concerns for underground mining include the creation of sinkholes, soil contamination, loss of biodiversity and erosion.

Mining companies contend that laws and processes in place mitigate most of these concerns. They also say that a balance has to be struck between leaving land untouched and providing needed materials. But most people simply don't want a mine near where they live.

"Folks say it is just a little mine, but it is a loss of a place that I find so compelling a reason to stand up for," said Cynthia Pryor, a spokesman for the Yellow Dog Watershed Preserve, dedicated to stopping the Michigan nickel mine. "There is timber and blueberry and hunting and all the things that are of value to a local community."

J. Murray Gillis, who teaches on mining issues at Michigan Technological University, says such concerns are often misplaced, noting that mining companies put up bond money to restore land.

"Mining companies have such great restrictions and everybody is watching them," he said.

Ms. Bernhardt, the ecologist, said mining companies, in general, have done what they have been asked to do but that the permitting process is flawed. "What the permits are allowing to happen, as in mitigating damage from mining, is not in fact mitigating damage," she said.

Seven years ago, Rio began working on developing the nickel reserve in the Upper Peninsula. It was considered ideal because it is concentrated in a relatively definable area. The 90-acre project anticipates 500 construction jobs and about 200 long-term jobs, both welcome in the Upper Peninsula, where unemployment stands at around 20%. The proposed mine is located underground, below a river bed.

Rio has obtained dozens of permits from several local, state and federal bodies that regulate water, air and pollution. Mining companies generally have to provide air- and water-quality samples, survey maps of potential water leaching, wastewater storage as well as plans for reclamation, such as reseeding of vegetation.

Rio says it will continue its efforts until the mine is opened. "Mining companies have to go where the minerals are," said a spokeswoman for Rio's Michigan project.

States attempt to tax more services as coffers deflate

[The Outlook]

By Conor Dougherty

Will plumbers, lawyers and hot-air balloon operators in the U.S. be forced to pitch in to solve state and local government revenue shortfalls?

Sales taxes today mainly, though not exclusively, hit sales of tangible goods such as cars and couches. Faced with the worst budget crisis in a generation, many states are looking to expand sales taxes to services, such as lawn care or accountants' advice. The goal, legislators say, is to broaden the tax base to cover a broader swath of the economy as traditional sources of tax revenue decline.

Although in early stages, service taxes are being considered by legislators around the U.S. In Kentucky, representatives have introduced a measure to extend sales taxes to some high-end services such as limousines and balloon rides. In North Carolina, the legislature last year considered, but didn't pass, a proposal to tax services such as car repairs and lawn care.

In Maine, the legislature last year passed a law that would lower income taxes for most residents but extend sales taxes to services such as car repairs and dry cleaning. It faces a voter referendum in June.

Many states already tax some services, such as hotel rooms and restaurant tabs. And the service sector is indirectly taxed through the wages of employees providing those services. But as of 2007, the latest data available, only seven states taxed the consumption of professional services such as doctors and lawyers said the Federation of Tax Administrators, a trade group of state tax agencies.

Hawaii and New Mexico tax the broadest array of services, more than 150, including movie tickets, according to the trade group.

"The tax system ought to reflect the nature of our current economy," said Gerald Parsky, an investment manager who last year chaired a commission on California's tax system. The panel suggested the state lower personal income taxes, eliminate the state's corporate income and sales taxes, and replace the revenue with a "business net receipts tax" that would tax a greater share of businesses. "The sales tax in California doesn't reach the service economy and yet the state is providing benefits to those people," said Mr. Parsky, a Republican. The idea went nowhere.

Kyla Christoffersen, a policy advocate for the California Chamber of Commerce, said her organization opposed the idea for a number of reasons including potential harm to smaller businesses such as dry cleaners. "These small businesses are trying to sell their services and they are going to essentially have to tell their consumers now the prices have increased," she said.

The consumption of services, at about $6.1 trillion a year, accounts for about two-thirds of total U.S. consumer spending, yet services aren't widely taxed by state and local governments. This is rooted partly in history: Sales taxes in the U.S. began to spread around 75 years ago when the service sector was a smaller share of the economy, and legislators have generally found it easier to raise existing sales tax rates than to extend the tax to new areas.

As the service sector's share of the economy has grown, so has its influence. "Whenever you [propose a service tax] everybody who is in that profession shows up in the lobby and protests it," said William F. Fox, a University of Tennessee economist.

Stuart Crawford, owner of a hot-air balloon ride company in La Grange, Ky., is trying to rally charter-plane companies and helicopter operations to oppose the state's move to extend the sales tax to high-end services including golf-course fees, landscaping—and chartered aircraft rides. Jim Wayne, the Kentucky Democrat sponsoring the proposal, said it would update the tax code to reflect the modern economy and smooth tax revenue in times of fiscal stress. "We know that the economy has shifted away from the purchase of goods to services," he said.

Some tax experts long have argued the most effective way to broaden the sales-tax base was to expand it into the service sector. Purveyors of goods can easily move across state lines or online, though services can't easily do so. "You can't get your plumbing fixed over the Internet," said Michael Mazerov, formerly research director of the Multistate Tax Commission, an organization of state taxing authorities, and now at the Center on Budget and Policy Priorities, a liberal advocacy group in Washington.

State and local governments are funded almost entirely by taxes on sales, property, personal income and corporate profits, which together account for 81% of state and local tax revenue. High unemployment and thriftier consumer behavior have eaten into income and sales taxes. And in many places falling real-estate prices have reduced property taxes, the biggest source of local funding and normally a stable revenue stream.

THE PROPERTY REPORT

Good times aren't over for Unibail

Mall operator is poised for better times after a 'transition year'; crisis's aftermath yields opportunities

By William Boston

Judging by the pounding that **Unibail-Rodamco** SE's shares have taken over the past few days, it might seem that the good times are over for Europe's largest operator of shopping malls.

Shares in the Paris-based property company fell 6%, or €9.30 ($$12.70) on Tuesday to close at €144.80. Shares are down 7.7% since Feb. 4 , when Unibail announced it was acquiring Simon Ivanhoe, a joint venture between **Simon Property Group** Inc. and **Ivanhoe Cambridge** Inc that holds seven European shopping centers, for €715 million ($976.6 million).

What spooked investors is Chief Executive Officer Guillaume Poitrinal's warning that profits, which grew 7.1% last year, will be flat or grow 2% at best in 2010.

This year "will be a transition year," he told reporters.

Unibail's profit warning comes as a surprise because the company is one of the few European property companies to emerge from the financial crisis in robust health. Unibail has cash and available credit of more than €2 billion and little debt. Its loan-to-value ratio at the end of December was 32%, compared to 30% a year ago.

Its shares rose 23% over the past six months, outpacing the FTSE EPRA Nareit Real Estate Index, which rose 10%.

"Unibail has become a proxy for people wanting to buy into European retail property," says John Lutzius, managing director of Green Street Advisors in Europe.

Unibail did more than just weather the economic storm. The company reported a net loss of €1.5 billion in 2009, but the loss was caused by the technical effect of writing down the value of its property. The value of its property portfolio was €128.20 per share at the end of December, down 15% compared with the same period a year earlier. But excluding asset write-downs, earnings rose 7.1% to €9.2 per share.

Unibail operates more than 100 shopping centers in 12 countries. Its strategy is to own huge supercenters with a broad offering of shopping at international retail stores, restaurants, bars and cinemas. Because of their sheer size and the scope of stores they offer, the centers tend to attract more shoppers than smaller malls.

Created from the 2007 merger of French and Dutch property companies Unibail and Rodamco Europe, the company still sees strategic acquisitions as a key source of growth. Its favored targets are big shopping centers in need of improvement.

Reuters
Unibail-Rodamco is buying Arkadia, Warsaw's largest shopping mall.

"If we can find opportunities of that kind we will not hesitate," said Mr. Poitrinal.

The latest example of this strategy is Unibail's agreement last week to acquire Simon Ivanhoe, a jointly-owned European subsidiary of Simon Property Group and Ivanhoe Cambridge. Unibail will pay €715 million for a portfolio of shopping centers in France and Poland.

The deal follows the purchase last year of shopping centers in Spain that were sold by struggling Spanish property Metrovacesa SA.

"Unibail has a strong balance sheet and is perfectly positioned to look for attractive acquisitions," says Gerios Rovers, chief investment officer for Cohen & Steers in Europe.

There are signs that real-estate developers are beginning to put retail property on the market. Dutch developer **Multi** Corp. is in talks to sell some of its western European shopping centers to **Corio** NV, another Dutch property group.

"Local developers in Spain have been kept alive by their banks and you can expect to see some of them selling shopping centers," says Robert Stassen, property analyst for Credit Suisse in London.

Over the longer term, Unibail's strategy is to develop shopping centers itself or acquire centers and improve them by replacing low-paying local retailers with international brands for which Unibail can command a higher rent. Mr. Poitrinal says the recession have helped the company speed up the restructuring of its roster of retail tenants. Many local retailers have gone bust.

The search for underperforming shopping centers that Unibail can improve is likely to keep the company focused on continental European cities, where rents are not as high as in the United Kingdom. As long as Unibail keeps focused on ensuring there is strong upside potential from its acquisitions, the slowdown in profit growth this year is not likely to be the end of the story.

"Compared to other companies like Simon or Westfield, Unibail is much newer to the shopping center game," says Mr. Lutzius of Green Street Advisors. "The growth story is not over."

Business Real Estate

INVESTMENT PROPERTIES

Jones Lang LaSalle Hotels®

Real value in a changing world

Jones Lang LaSalle Hotels, as sole and exclusive agent for LB 2006-LLF C5 Kahi Nani LLC, has been retained to offer for sale the leasehold interest in the Sheraton Keauhou Bay Resort & Spa which is located on the exclusive Kailua-Kona Coast of the Big Island of Hawaii and is being offered unencumbered of both brand and management.

Investment Highlights

- An expansive 22-acre oceanfront resort that contains 521 guest rooms
- Large guestrooms averaging 430 square feet, each with a private lanai, and 60% with ocean views
- The resort contains over 75,000 square feet of indoor and outdoor meeting space including the 10,000-square-foot Grand Ballroom and the 19,000-square-foot Keauhou Conference Center
- Recently underwent a comprehensive $55 million renovation

For further information, please visit: http://www.jllh-sheratonkeauhou.com

For inquiries please e-mail: Sheraton.Keauhou@am.jll.com
Please include your name, company name and phone number

INVESTMENT PROPERTIES

INVESTMENT OPPORTUNITY

EXP. R.E. DEV. in key U.S markets, invites Qualified R.E.investors & private equity firms with PATIENT capital, to invest or J.V. in purchasing distressed, developed LAND based assets in selected U.S.markets at HISTORICAL lows, potential future profit , in currency conversion & assett appreciation, all confidential corresp. & WEBSITE inf. to mgr. at **domaxl@gmail.com fax 313-884-2300**

MAKE GREAT CONNECTIONS IN ASIA. THE WALL STREET JOURNAL. ASIA.

To advertise
Brian Tong
Sales Director
Classified Advertising
The Wall Street Journal Asia
Hong Kong: 852 2831 2552
Fax: 852 2574 2618
Singapore: 65 6415 4279
Fax: 65 6225 5039
brian.tong@dowjones.com

LaSalle fund targets Australia

Reuters

LaSalle Investment Management is seeking local partners to invest in Australian property developments and boost returns for its $3 billion opportunity fund.

LaSalle Investment Management, the investment arm of real-estate-services firm **Jones Lang LaSalle**, is also chasing distressed assets in Japan and has two deals in the pipeline, Ian Mackie, LaSalle's Asian-Pacific chief investment officer, said Tuesday.

"In some countries such as Japan at the moment, we can buy standing assets and make the sort of returns appealing to an opportunity fund," Mr. Mackie told reporters. "We would expect to go further out on a risk curve in Australia and become involved in development projects."

Mr. Mackie said the firm was looking to jointly invest with Australian developers.

The Australian Financial Review reported this month that LaSalle was in talks to back the development of the 800 million Australian dollar ($691.7 million) tower in Sydney, being undertaken by private group Grocon. Mr. Mackie declined to comment on the news report.

Property sales in Australia fell to A$7.2 billion in 2009 from A$9.7 billion the year before, according to research firm CBRE. Tight credit made it hard to fund transactions, but massive capital raisings by listed property trusts helped prevent distressed assets from flooding the Australian market.

LaSalle has raised a $3 billion opportunity fund, $1 billion of which has been deployed.

In Australia, LaSalle holds only two assets, worth about $700 million, through its core fund, which only invests in existing buildings and seeks lower and stable returns.

In Japan, LaSalle is working on two investments: a large office building deal expected to close in a couple of weeks and a resort project that came from a distressed development group, Mr. Mackie said.

Agence France-Presse
LaSalle Investment Management is seeking local partners to invest in Australian property developments.

Cheney's Revenge

Dick Cheney is not the most popular of politicians, but when he offered a harsh assessment of the Obama Administration's approach to terrorism last May, his criticism stung—so much that the President gave a speech the same day that was widely seen as a direct response. Though neither man would admit it, eight months later political and security realities are forcing Mr. Obama's antiterror policies ever-closer to the former Vice President's.

In fact, the President's changes in antiterror policy have never been as dramatic as he or his critics have advertised. His supporters on the left have repeatedly howled when the Justice Department quietly went to court and offered the same legal arguments the Bush Administration made, among them that the President has the power to detain enemy combatants indefinitely without charge. He has also ramped up drone strikes against al Qaeda and Taliban operatives in Pakistan.

However, the Administration has tried to break from its predecessors on several big antiterror issues, and it is on those that it is suffering the humiliation of having to walk back from its own righteous declarations. This is Dick Cheney's revenge.

Begin with Mr. Obama's executive order, two days after his inauguration, to shut the detention facility at Guantanamo Bay within one year. The President issued this command before undertaking a study to determine how or even whether his goal was feasible. In his May speech, Mr. Obama declared, "The record is clear: Rather than keep us safer, the prison at Guantanamo has weakened American national security."

> The Obama Administration is vindicating Bush antiterror policy.

Mr. Obama's deadline has come and gone, and Guantanamo remains open. In part this is the result of political opposition from Americans—including many Congressional Democrats—who understandably do not want terrorists in their backyards. Another problem is that European allies, while pressing for Guantanamo's closure, have been reluctant to accept more than a handful of detainees who are deemed suitable for release. The upshot is that Congress may never appropriate the money to close Gitmo, and Mr. Obama never mentioned the prison in his State of the Union address.

The Administration similarly has been backing away from its intention, announced in November, to try 9/11 mastermind Khalid Sheikh Mohammed and four other enemy combatants in civilian court a few blocks from Ground Zero. New York Mayor Michael Bloomberg, who at first endorsed the trials, has since reversed himself and urged the Administration to "do the right thing" and move the trials somewhere else, preferably to a military base.

The same day, New York's Senator Chuck Schumer asked officials to find another venue. Within hours, Mr. Obama ordered the Justice Department to do just that, and Mr. Schumer has since said any trial shouldn't be held anywhere in New York state. Meanwhile, bipartisan support is growing in Congress to block money from being spent on any civilian trial for KSM, anywhere.

A third policy under increasing criticism is the Administration's approach to interrogation. In August, Mr. Holder announced that he had appointed a special prosecutor to investigate—or rather re-investigate—allegations of abuse by CIA interrogators. At the same time, Mr. Obama declared that responsibility for interrogating detainees would shift from the CIA to a new, FBI-led High Value Detainee Interrogation Group, which would employ only tactics that are "noncoercive" or approved by the Army Field manual.

Then came the attempted Christmas bombing and the revelation that the new interrogation group is not fully operational and won't be for months. Not that it would have had a chance to question Umar Farouk Abdulmutallab. On Mr. Holder's order, investigators immediately classified him as a criminal defendant. After interrogating him for just 50 minutes, they advised him of his right to remain silent, which he promptly exercised.

As long as George W. Bush and Dick Cheney were responsible for keeping Americans safe, Democrats could pander to the U.S. and European left's anti-antiterror views at little political cost. But now that they are responsible, American voters are able to see what the left really has in mind, and they are saying loud and clear that they prefer the Cheney method.

Mr. Holder has nonetheless begun a campaign to defend his decisions on Abdulmutallab and KSM, telling the New Yorker last week that "I don't apologize for what I've done" and that trying KSM in a civilian court will be "the defining event of my time as Attorney General."

Given that he still can't find a venue and that even Democrats are having second thoughts about the spectacle, Mr. Holder may well be right that the trial will define his tenure. Before this debate is over, he may have to explain why he's decided that the best place to try KSM really is a military tribunal—in Guantanamo.

Losing Sri Lanka

Sri Lankan President Mahinda Rajapaksa's wide election victory last month handed him a unique opportunity to put his country on a peaceful, democratic and prosperous path after 26 years of civil war. He's already throwing it away.

Exhibit A is Monday's arrest of Sarath Fonseka, Mr. Rajapaksa's election opponent and the recently retired general who won the war against the terrorist Liberation Tigers of Tamil Eelam. Mr. Fonseka has yet to be charged with anything, and in the fever swamp of Sri Lankan politics there's certainly good reason for skepticism about any accusations leveled at him. Even if charges of some sort are eventually proven, politics is the best explanation for why this is happening now.

The weeks since the January 26 election have seen a steady erosion of civil rights as Mr. Rajapaksa has tried to consolidate power. The crackdown on opposition press has been especially noticeable. One journalist has disappeared, another has been detained, a newspaper has been closed down, and several independent and opposition Web sites have been blocked, among other instances recorded by Reporters Without Borders.

Mr. Fonseka's arrest fits this pattern. Despite his electoral defeat he had become a focal point for the otherwise fractious opposition. That matters especially ahead of parliamentary elections due by April. And he had threatened recently to testify about human-rights abuses during the war against the Tigers, which at a minimum could prove embarrassing for Mr. Rajapaksa.

The crackdown is all the more shocking because one of the country's great feats was preserving its democracy through the decades-long war. Now Sri Lanka needs that democracy to hash out complex political questions left in the war's wake, not least how to address the legitimate grievances of moderate minority Tamils. Creating a fearful climate that stifles free debate will make it harder to resolve these issues peacefully.

Mr. Rajapaksa promised the world that "the highest standards of rights will be upheld" on his watch in an op-ed in these pages less than a week ago. If he continues on present course he's risking his credibility. He also risks the peace for which Sri Lankans sacrificed so much.

Parting the Veil

The French government says it will deny citizenship to a Moroccan Muslim who admitted to forcing his wife, a French citizen, to veil her face. Without French citizenship, the man cannot settle in France. It's no coincidence that Prime Minister François Fillon's decision comes amid an increasingly contentious public debate over whether the full-face veil, or *niqab*, should be banned in France.

It's tempting to dismiss the ban, championed by President Nicolas Sarkozy, as a superficial approach to a serious social problem. Can forcing women to show more skin on the street really make them more French? And then there's a simple question of personal freedom: If personal liberty means anything, surely it includes the freedom to dress as one pleases.

But as the publicity over last week's case makes clear, the question is more complicated than whether women should be allowed to dress as they want. The would-be citizen is a man, after all, and his transgression is said to be forcing his wife to take the veil. France is not interested in the veil as an object of self-expression, but of other-oppression, as it were.

> Allow women to dress as they please.

It is interesting to note that the loudest tutting about France's war on the "burqa" comes from other Western democracies. U.S. President Obama seemed to be speaking directly to the Elysee Palace in June when he told his audience in Cairo: "It is important for Western countries to avoid impeding Muslim citizens from practicing religion as they see fit—for instance, by dictating what clothes a Muslim woman should wear."

Ordinarily, we would argue precisely that. Yet Mr. Obama seems to have overlooked that the fashions of the Muslim woman are not always her choice. So in this case it's far from clear that human freedom is best advanced by tolerating a custom that deprives half of the population of the liberty to dress as they see fit. Karl Popper may have summed up the paradox best when he wrote, "If we extend unlimited tolerance even to those who are intolerant, if we are not prepared to defend a tolerant society against the onslaught of the intolerant, then the tolerant will be destroyed, and tolerance with them."

There is, of course, a contrary danger—that the state can go too far in trying to enforce the "liberation" of people who don't feel themselves oppressed. That would not appear to apply here. Modern liberal Western democracies long ago settled the question of the treatment of women. They are recognized as equal in rights before the law and in marriage, in their rights to drive and to vote and all the rest. A cultural dictate that denies women the freedoms enjoyed by men is contrary to those principles, and France is not wrong to insist that it has no place in a Western democracy.

France will not solve the problems in its Muslim population through dress codes. But the attitude toward women of some Muslims living in the West won't be solved, either, by pretending it doesn't exist. Mr. Sarkozy, in pushing for the ban, has at least forced open a debate on a problem that most in the West would rather not discuss: How much tolerance do Western countries owe to a too-often intolerant minority in their midst?

Letters To The Editor

* * *

Malaysia Upholds the Rule of Law

The editorial published prior to the beginning of the judicial proceeding against opposition leader Anwar Ibrahim ("Anwar's Second Sodomy Trial," Feb. 2) presented a misleading characterization of the trial by focusing on the view of the defendant, rather than presenting a balanced account that included a fair presentation of Mr. Anwar's alleged victim. As a consequence, The Wall Street Journal Asia falsely cast this trial as politically motivated and portrayed the defendant as the victim.

This case is not political, but a matter to be worked through in our criminal justice system, as it would in any other country. The alleged victim and his family are seeking justice, as is their right under the law.

Malaysia recognizes the presumption of innocence, and this case is no exception. As is the standard practice in Malaysia, the rights of both the accuser and the accused will be respected during the trial of Mr. Anwar. We support due process as each party has an opportunity to present their case to an impartial judge.

Similarly, our government is dedicated to upholding the rule of law and the principle that no one is above the law. Again, this case is no exception. Malaysia's legal system has the obligation to proceed, not because the accused is Mr. Anwar, but because it has the responsibility to protect and pursue justice on behalf of Malaysian citizens, irrespective of politics.

Nazri Abdul Aziz
Minister, Prime Minister's Department
Kuala Lumpur

* * *

Politics and Religion Don't Mix

Regarding Anwar Ibrahim's op-ed, "Muslims Have No Monopoly over 'Allah'," (Jan. 26): The recent reports of the firebombing of churches and the placement of pig heads at mosques in Malaysia is very troubling given the already fragile state of political, cultural and religious elations between the Malay, Chinese, Indian, Eurasian and indigenous communities. Unfortunately many false accusations and press errors magnify the situation.

Mr. Anwar claims the word "Allah" has historically and naturally been used by Malaysian Christians to refer to "God" as part of their standard natural liturgical practices. The evidence for this is not as clear as he suggests. Christian missionaries in colonial Malaya did introduce the concept of a Western God to indigenous inhabitants of the Malayan archipelago and the island of Borneo. There are ambiguous historical reports of Portuguese and Dutch missionaries in the East Indies and Malayan archipelago making reference to "Allah," such as Saint Francis Xavier in Malacca in the 16th century.

These few examples are provided as proof among Christian activists in Malaysia of a historical basis for the use of "Allah." However no clear visual, literary or historical validation of such contemporary usage among Malaysian Christians has been offered. The context in which "Allah" may have been used in ancient times, during the colonial period and in contemporary Malaysia, is being lost in this rather perverse debate. Do Christians in Malaysia really want to use, and do Muslims want to permit, a concept that has no implicit doctrinal basis for accommodating one of their core beliefs—the concept of the Trinity, which is foreign to Muslims and Jews? Or is it best used as a political and social vehicle for trying to obtain cultural and religious legitimacy and equality with Malaysian Muslims?

Unfortunately the parties in Malaysia seem to be digging in and radicalizing their rhetoric, worsening the situation by politicizing a religious issue that should be left to individual men and women of faith. Given Malaysia's increasingly rancorous ethnic, cultural and religious disputes, that is unlikely to happen anytime soon.

Peter Cohen
Honolulu

* * *

Providing a Security Blanket

Regarding your editorial "Standing Up for Taiwan" (Feb. 1): As Taiwan President Ma Ying-jeou pointed out, Taipei needs weaponry to negotiate from a position of strength. Until a couple of years ago, the Taiwan Strait had long been regarded as a potentially explosive point of military conflict. However, under President Ma, Taiwan's government initiated an approach and negotiation policy toward China in 2008 that allayed long-time tensions significantly. The policy is supported by the United States and Taiwan's neighboring countries.

Arms sales to Taiwan play an important role in this process. Taiwan, with little self-defense capability, would be at a great disadvantage in talks with powerful China, and efforts to stabilize relations would go nowhere. Taiwan needs the U.S. to provide defensive weaponry to give it confidence in approaching China. Further arms sales to Taiwan will certainly contribute to keeping the current peaceful and stable status quo across the Taiwan Strait.

Pam Perry
Atlanta, GA

THE WALL STREET JOURNAL.
ASIA

Almar Latour, *Editor in Chief, Asia*
Peter Stein, *Associate Editor*
Dean Napolitano, *Senior Editor*
Mary E. Kissel, *Editorial Page Editor*
Philip Owens, *Circulation Director*
Shawn Hiltz, *Marketing Director*
Alice Chai, *Research Director*
Connie Cheng, *Operations Director*
Simon Wan, *IT Director*
Olivier Legrand, *General Manager Digital*
Christine Brendle, *Publisher*
Published since 1889 by
DOW JONES AND COMPANY

© 2010 Dow Jones & Company. All Rights Reserved

DOWJONES
A News Corporation Company

Gays in the Militaries

[Global View]

By Bret Stephens

There are some excellent arguments for ending the military's "don't ask, don't tell" policy. And there are some lousy ones. Leave it to the people who mistake moral preening for thought to make the lousiest ones of all. For instance:

• *Ending the policy is the great civil-rights cause of our time.* As compared to what? On the scale of moral precedence, "don't ask, don't tell" is trivial compared to the abuse of women in the Muslim world, or of political dissidents in Cuba, or of homosexuals in Iran, or of American children in inner-city public schools.

• *The support of Defense Secretary Bob Gates and Joint Chiefs Chairman Mike Mullen for ending the policy is the last word on the matter.* The argument might have been more convincing if Adm. Mullen hadn't located his conscience at this moment of maximum political convenience, after saying he'd served alongside homosexuals since 1968.

• *"Don't ask, don't tell" is the moral equivalent of the military's pre-1948 policy of racial segregation.* Or not. "Skin color is a benign nonbehavioral characteristic," Colin Powell noted in 1992. "Sexual orientation is perhaps the most profound of human behavioral characteristics."

By the same token, there are arguments good and bad for keeping the policy in place. Among the weakest is the notion that having openly gay service members will lead to some pandemic of escapades in a military that already forbids and punishes sexual liaisons of any variety except between married couples. Even less persuasive is that the erotic attachments of service members will adversely affect military decision making. If that were true, the military would not allow women to serve, nor would it permit husband-and-wife teams to deploy together. Yet the military allows both.

Getty Images

Gay Pride in Jerusalem, and in uniform. A model for the U.S.

That leaves the best argument against lifting the policy, which is that doing so will have an adverse impact on military effectiveness. The armed services exist to defend the country, not reflect it. (If "reflection" is what we wanted, a third of the military would be obese.) Its value system of duty, honor and country is very nearly the opposite of life, liberty and the pursuit of happiness. Spend an hour in the company of West Point's superb cadets; those high-collared uniforms aren't exactly keeping pace with our evolving social mores. Good thing, too, since if they were you probably couldn't count on them to jump on live grenades to save their buddies.

But does "don't ask, don't tell" contribute to military effectiveness? Probably not. One problem is that by demanding that gay and lesbian service members keep their sexuality a secret, it makes them uniquely susceptible to blackmail. It creates a security hazard where none need have existed.

More problematic is that it has meant the dismissal of more than 13,000 service members since the policy came into force. Assume that the presence of openly gay people in uniform poses real if intangible risks to morale or capability. It's still worth pondering whether those risks outweigh what amounts to the loss of an entire division of war-fighters.

Also worth pondering is the experience of countries in which gays and lesbians serve openly. Britain and Canada are often cited as cases in point, though the deteriorating overall capabilities of their armed forces do not inspire confidence. A better comparison is the Israeli military, which hasn't yet been deemed incompetent or pusillanimous even by those who otherwise routinely defame it.

"It's just a non-issue," says Israeli Army spokesman Capt. Barak Raz about the service of openly gay soldiers. "It's about as important as whether someone chooses to listen to hip-hop or classical music."

Israel lifted restrictions on gay soldiers in 1993 on orders from then-Prime Minister Yitzhak Rabin. If there were ill-effects, Capt. Raz says, nobody noticed. Openly gay soldiers have served with distinction in elite combat units and as senior officers. Most of the information is anecdotal, though last summer the army's weekly magazine published an edition for Gay Pride week highlighting a few openly gay officers.

Israel is not the U.S. It has a conscription-based army that can't idly turn people away. It has its own set of cultural assumptions. The most religiously Orthodox Israelis are the least likely to serve. But it remains an instructive case, especially to those who have sincere and reasonable doubts about the effects of lifting the policy and aren't persuaded by the cheap accusations of "bigotry" that pass for reasoned argument on the subject. As Capt. Raz says, "by not treating it as an 'issue,' it doesn't become one. That's the bottom line."

Write to bstephens@wsj.com

Google Gives Us Hope

By Ai Weiwei

China may have become the second-biggest economy in the world, but its political system remains stuck in the early 20th century. Even as Chinese people's horizons are broadening, the government clings to a one-party ideology that is hostile to personal freedom. Technology is making possible greater expression and political participation, but that has only prompted the authorities to work harder to stifle these impulses.

All this makes Google's decision to stop censoring to protect its China operations especially significant. First, it is encouraging for the Chinese people to see that a leading Internet company recognizes that censorship is a violation of basic human rights and values. Such controls damage the core ethos underpinning the Internet.

To stand up and speak out in a society in which those values are under constant attack requires courage and deserves moral support. Politicians and enterprises should not trade those basic rights for profits, because any short-term deal will only lead to long-term losses.

In several cases the judicial system has used information from an accused person's email as evidence of attempting to overthrow the government. This is a clear case showing how an authoritarian state can use technology not to benefit social life and improve political participation, but rather to violate the privacy of individuals and control their thinking, communication and expression.

From last October, I found that two of my Gmail accounts were being hacked by unknown intruders, and my Gmail messages were being automatically transferred to an unknown address. Other activists have reported the same intrusions to their Gmail accounts.

Most discouraging to those of us who are fighting for increased freedom is the tendency for developed nations to lower the bar to please China. They make excuses not to concern themselves with violations of human rights. To espouse universal values and then blind oneself to China's active hostility to those values is irresponsible and naïve.

When American officials come to China with a pretty smile and the soft tone of a so-called "friendly gesture," this only tells us how fragile and vulnerable these moral standards can be. It makes the people still in the struggle feel disappointed.

In recent months China has tightened its censorship over every medium, from the Internet to the mainstream media to instant messaging over mobile phones. This is the mark of a government that has lost confidence in its own ideology and is nervous about its power to control its own people. Stopping the free exchange of information ultimately hampers economic growth and opportunity, which is the Chinese government's main claim to legitimacy. The question then is how a state based on limiting information flows and freedom of speech can remain powerful. And if it can, what kind of monster it will become.

Mr. Ai is a Beijing-based artist and activist.

OPINION

Why China Keeps Poisoning the Milk

By Paul Midler

China and Japan are each going through their own unique quality crises. In China, officials are hunting for 170 tons of contaminated milk powder that is still on shelves more than a year after the melamine scandal was first exposed. And in Japan, discussions are focused on all that has gone wrong with its automotive industry after Toyota's recent recalls. But a closer look at the two scandals shows how far apart the countries are in their approach to quality—and how much China stands to learn from Japan.

The latest melamine scandal exposes deep problems in the country's manufacturing culture.

China's quality challenge has at times been compared to Japan's efforts in the 1950s and 1960s to transcend a bad reputation for manufacturing low-quality goods. At that time Japan also suffered tragic industrial disasters, like the mercury poisoning in Minamata that left 1,000 people dead. But Japan's leading companies have since been able to establish strong reputations for quality. Although the automotive recalls currently underway are extensive, design errors and electronic malfunctions are in a different league from China's instances of willful product manipulation, especially when that manipulation has involved artful efforts at circumventing third-party controls.

In China, operators display an incredible willingness to place public safety at risk in exchange for only the smallest gains in profit. The dairy industry's 2008 scandal is instructive. The trouble started when dairy farmers began adulterating milk with water, prompting dairy companies to test protein levels. Milk suppliers next discovered they could trick laboratory equipment into believing protein concentrations were higher by adding a toxic, chemical compound—melamine. Over time, more of the chemical was added, along with more water, and no one knows how little real milk was in the final product by the time scandal broke. We only know the end result: six babies died, 300,000 were sickened and over 50,000 were hospitalized, causing untold grief to Chinese families.

The melamine scandal is by far the most disturbing of all the quality crises China has faced in recent years. It was not just the amount of suffering endured, but the fact that the contamination was an open secret shared by possibly hundreds of individuals at dozens of companies. While some people involved in the 2008 scandal might have been able to claim that they didn't know melamine could do so much harm, those caught using melamine more recently cannot possibly plead ignorance.

Making matters worse has been the government's wrong-headed response. Beijing reacted to this year's melamine scandal with a heavy-handed cover-up. Chinese journalists have been warned not to report details surrounding milk cases. Parents of children sickened by melamine-tainted products who have attempted to organize themselves to protest or seek compensation risk being sent to jail for "social disruption."

AP Photo

Are these dairy products tainted?

China's state-directed legal system has failed to provide justice to victims. The government meted out severe punishment to only a small number of perpetrators engaged in the distribution and production of poisoned milk—two were executed—and a far greater number were let off the hook. China's response to past scandals has been to protect industry with a government shield, so no one should be surprised when fraud recurs in such an environment.

The melamine case illustrates the dangers of Chinese manufacturers' pathological focus on short-term profitability. Accidents can happen in almost any production process, but melamine did not coincidentally make its way into milk. China's obsession with thrift is a virtue often carried to a fault. Police have noted that the current melamine scandal was made possible by the many tons of melamine that remained from the 2008 scandal. Some distributors chose to repackage the tainted powder and put it on store shelves. They couldn't stand the thought of throwing away so much milk powder, even if it was dangerously contaminated, and even if it meant running the risk of being punished for it.

Japan's reputation for high quality in recent decades owes much to W. Edwards Deming, the father of "total quality management." Were he around today, Deming would remind us that negative reinforcement mechanisms are no way to improve quality standards. Quality must be seen as something positive, it must be seen as something that drives long-term growth. It must be a goal shared by all stakeholders. As it stands today, a small number of unscrupulous actors in China threaten to ruin the export opportunity for many.

When he arrived in Japan in the 1950s, one of Deming's goals was to drive fear out of manufacturing processes. Workers ought to have an open line of communication with management. There must be an opportunity to report incidences and concerns from the factory floor. Partly thanks to the work of Deming, Japan is today an economy that places a high value on the pursuit of quality for its own sake, and that vision has helped Japan to become an innovator in a wide variety of manufacturing sectors.

In China, workers are too afraid to report even the most obvious production errors or the most egregious cases of unethical misconduct. Working with many factories, I have seen line operators reluctant to report anything at all. Managers ignore issues that might cause embarrassment. Everyone involved is making a risk calculation, determining that staying silent reduces the likelihood of trouble, at least in the short run. Where workers ought to speak up, the inclination is to look the other way instead.

One of China's problems is that efforts to improve quality are focused on the finished product only. Every time a scandal erupts, the answer has been to test more of the finished product. This after-the-fact approach is no match for an emphasis on continual, systemic improvement. As Deming suggested, "we should work on our process, not the outcome of our processes."

China should not take Japan's recent stumble as an opportunity to gloat. Japan's quality problems are unfortunate, but they are an aberration not representative of the manufacturing industry there. Now more than ever, China should be looking to its easterly neighbor as an example of how its own economy can adopt a philosophy of quality and product development that is the envy of the world.

Mr. Midler is author of "Poorly Made in China" (Wiley, 2009).

Wall Street's Race to the Bottom

By Elizabeth Warren

Banking is based on trust. The banks get our paychecks and hold our savings; they know where we spend our money and they keep it private. If we don't trust them, the whole system breaks down. Yet for years, Wall Street CEOs have thrown away customer trust like so much worthless trash.

Banks and brokers have sold deceptive mortgages for more than a decade. Financial wizards made billions by packaging and repackaging those loans into securities. And federal regulators played the role of lookout at a bank robbery, holding back anyone who tried to stop the massive looting from middle-class families. When they weren't selling deceptive mortgages, Wall Street invented new credit card tricks and clever overdraft fees.

In October 2008, when all the risks accumulated and the economy went into a tailspin, Wall Street CEOs squandered what little trust was left when they accepted taxpayer bailouts. As the economy stabilized and it seemed like we would change the rules that got us into this crisis—including the rules that let big banks trick their customers for so many years—it looked like things might come out all right.

Now, a year later, President Obama's proposals for reform are bottled up in the Senate. The same Wall Street CEOs who brought the economy to its knees have spent more than a year and hundreds of millions of dollars furiously lobbying Washington to kill the president's proposal for a Consumer Financial Protection Agency (CFPA).

Within the thousands of pages of print in the "Restoring American Financial Stability Act" now before the Senate, the consumer agency is the only proposal that would help families directly. Even those most concerned about the role of personal responsibility concede that it is hard for families to make smart decisions and to compare products when the paperwork on mortgages, credit cards and even checking accounts has morphed into reams of incomprehensible legalese.

The consumer agency is a watchdog that would root out gimmicks and traps and slim down paperwork, giving families a fighting chance to hang on to some of their money. So far, Wall Street CEOs seem determined to stop any kind of watchdog. They seem to think that they can run their businesses forever without our trust. This is a bad calculation.

It's a bad calculation because shareholders suffer enormously from the long-term cost of the boom-and-bust cycles that accompany a poorly regulated market. J.P. Morgan CEO Jamie Dimon recently explained this brave new world, saying that crises should be expected "every five to seven years."

Jamie Dimon is wrong. We shouldn't expect a crisis 'every five to seven years.'

He is wrong. New laws that came out of the Great Depression ended 150 years of boom-and-bust cycles and gave us 50 years with virtually no financial meltdowns. The stability ended as we dismantled those laws and failed to replace them with new laws that reflected modern business practices.

The reputations of Wall Street's most storied institutions are evaporating as the lack of meaningful consumer rules has set off a race to the bottom to develop new ways to trick customers. Wall Street executives explain privately that they cannot get rid of fine print, deceptive pricing, and buried tricks unilaterally without losing market share.

Citigroup learned this the hard way in 2007, when it decided to clean up its credit card just a little bit by eliminating universal default—the trick that allowed it to raise rates retroactively, even for consumers that did nothing wrong. Citi's reform resulted in lower revenues and no new customers, triggering an embarrassing public reversal.

Citi explained sheepishly that credit cards were now so complicated that customers couldn't tell when a company offered something a little better. So Citi went back to something a little worse. Without a watchdog in place, the big banks just keep slinging out uglier and uglier products.

* * *

With their reputations in tatters, the CEOs have decided to go on the offensive in Washington. They might have had some thoughtful suggestions for how to better shape a consumer agency. Instead, they have unleashed lobbyists who are determined to do anything to kill the consumer agency.

The latest lie is that the CFPA is "big government." The CEOs all know that the current regulatory structure, which they support, is big government at its worst: bureaucratic, unaccountable and ineffective. The CFPA will consolidate seven separate bureaucracies, cut down on paperwork, and promote understandable consumer products. In the process, it will stabilize the industry, rebuild confidence in the securitization market, and leave more money in the pockets of families. Complaining about short, readable contracts and efforts to slim down bureaucracy only further diminishes the banks' credibility.

This generation of Wall Street CEOs could be the ones to forfeit America's trust. When the history of the Great Recession is written, they can be singled out as the bonus babies who were so shortsighted that they put the economy at risk and contributed to the destruction of their own companies. Or they can acknowledge how Americans' trust has been lost and take the first steps to earn it back.

Ms. Warren is a law professor at Harvard and is currently the chair of the TARP Congressional Oversight Panel.

IN DEPTH

No exit in sight for the U.S. as Fannie and Freddie flail

Government is willing to keep the firms afloat because it sees them as essential cogs in fragile housing market

Former Fannie CEO Daniel Mudd, right, testifying in 2008, says the U.S. is running Fannie and Freddie 'not as a business.'

Getty Images

By Nick Timiraos
And James R. Hagerty
McLean, Va.

When Charles E. Haldeman Jr. became **Freddie Mac**'s chief executive officer in August, the ailing housing-finance giant had already consumed $51 billion of U.S. government money to stay afloat. It's likely to need even more.

Freddie's federal overseers nevertheless have instructed Mr. Haldeman to focus on something that isn't likely to make the bleak balance sheet look any better: carrying out the Obama administration plan to allow defaulted borrowers to hang onto their homes.

On a recent afternoon, employees at Freddie's headquarters here peppered Mr. Haldeman with concerns about the company's future. He responded that they were "fortunate" to have such a clear mission—the government's foreclosure-prevention drive. "We're doing what's best for the country," he told them.

Freddie and its larger rival, **Fannie Mae**, were among the first big financial institutions to receive massive federal bailouts after the financial crisis hit in 2008. Government officials have been racing to fix bailed-out car makers and banks and are pushing to reshape the financial-services industry. But Fannie and Freddie remain troubled wards of the state, with no blueprints for the future and no clear exit strategy for the government.

Nearly a year and a half after the outbreak of the global economic crisis, many of the problems that contributed to it haven't yet been tamed. The U.S. has no system in place to tackle a failure of its largest financial institutions. Derivatives contracts of the kind that crippled American International Group Inc. still trade in the shadows. And investors remain heavily reliant on the same credit-ratings firms that gave AAA ratings to lousy mortgage securities.

Fannie and Freddie, for their part, remain at the core of a housing-finance system that inflated a dangerous housing bubble. After prices collapsed, sending shock waves around the world, the federal government put America's housing-finance system on life support. It has yet to decide how that troubled system should be rebuilt.

On Dec. 24, Treasury said there would be no limit to the taxpayer money it was willing to deploy over the next three years to keep the two companies afloat, doing away with the previous limit of $200 billion per company. So far, the government has handed the two companies a total of about $111 billion.

The government is willing to tolerate such open-ended exposure for two reasons. First, it sees the companies as essential cogs in the fragile housing market. Fannie and Freddie buy mortgages originated by others, holding some as investments and repackaging others for sale to investors as securities. Together with the Federal Housing Administration, they fund nine in 10 American mortgages. Worries about potential insolvency would cripple their ability to fund home loans, which would hamstring the market.

Second, the companies are a convenient tool for the administration to use in its campaign to clean up the housing mess.

"We're making decisions on [loan modifications] and other issues, without being guided solely by profitability, that no purely private bank ever could," Mr. Haldeman said in late January in a speech to the Detroit Economic Club.

Besides playing a key role in the loan-modification program, Fannie and Freddie have jump-started lending by state and local housing-finance agencies by helping to guarantee $24 billion in debt. They also are lending support to the apartment sector by becoming the main funders of loans to builders and buyers of apartment buildings.

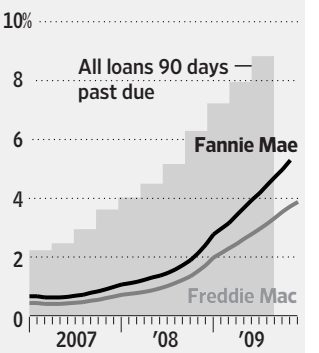
By using Fannie and Freddie for such initiatives, the White House doesn't have to go to Congress for funding. The Treasury and White House can simply issue instructions to Fannie and Freddie via their federal regulator, the Federal Housing Finance Agency, or FHFA.

The government is "running Fannie and Freddie as an instrument of national economic policy, not as a business," says Daniel Mudd, who was forced out as Fannie Mae's chief executive in September 2008 when the government took control.

Assistant Treasury Secretary Michael Barr says that because Fannie and Freddie are "owned by the taxpayers in the middle of the biggest housing crisis in 80 years," it would be unrealistic to expect the companies wouldn't be used to help stabilize the market. He says the administration's actions have been "prudent" and "consistent with taxpayer protection."

Bad loan pileup

The percentage of mortgages 90 days or more past due continues to grow at Fannie and Freddie.



Sources: the companies; Mortgage Bankers Association

The companies are political lightning rods. The government's decision to absorb unlimited losses followed the Treasury's approval of multimillion-dollar pay packages for senior executives at each company. Republican critics have blasted those decisions, demanding investigations and pay cuts.

Massachusetts Democratic Rep. Barney Frank, a longtime supporter of the companies, said last month that ultimately they should be abolished and replaced with an entirely new housing-finance system. Last Thursday, he said he would convene a hearing next month to review the future of housing finance and the federal government's role in it

Some housing experts contend that prolonged government intervention will make it more difficult and costly to eventually wean the companies off government support. "The more aggressively we continue kicking the can down the road, the larger the losses become and the harder it becomes" to address the companies' future, says Joshua Rosner, managing director at investment-research firm Graham Fisher & Co.

Edward DeMarco, acting director of Fannie and Freddie's regulator, the FHFA, says efforts to modify loans and to stabilize the housing market ultimately will help the two

companies' bottom lines. "The businesses are trying to mitigate the losses and remediate the problems that led to conservatorship in the first place," he says.

As mortgage delinquencies rise, Fannie and Freddie are required to set aside more capital to cover anticipated losses. Each quarter, if their revenues are insufficient to meet those financial needs, the Treasury has to kick in more money.

With delinquencies still rising, the outlook is grim. At Freddie, 3.87% of single-family mortgages were at least 90 days past due at the end of December, up from 1.72% a year earlier. Fannie is worse: 5.29% were 90 days past due in November, up from 2.13% a year earlier.

For decades, both Fannie and Freddie were highly profitable. The housing bust hit both hard, sharply reducing the values of the mortgages they guaranteed, along with their investment portfolios, which were stuffed with riskier loans.

By September 2008, their capital reserves were so depleted that the government seized control of both companies, using a legal process known as conservatorship. In exchange for injecting money, the government has received preferred shares that pay a 10% dividend, along with warrants to purchase up to 79.9% of the common stock of each company.

The Obama administration had said it would weigh in on how to revamp the companies when it released its proposed budget earlier this month. Instead, the budget contained only a single line about the companies' future, promising to "monitor the situation" and to "provide updates...as appropriate." That stance reflects policy makers' uncertainty about how to proceed and a lack of urgency about resolving the problem.

Lawrence Summers, the president's chief economic adviser, has said the companies shouldn't be run permanently by the U.S. or be allowed to "return to the failed model of the past, where Fannie and Freddie relied on an implicit government [debt] guarantee to borrow cheaply."

Some Republicans have said the government should play no role whatsoever in the companies in the future, meaning no implied debt guarantee and no government directives to support affordable housing. The other end of the spectrum would be to turn the companies into government agencies.

Many housing-industry leaders believe the eventual plan will fall somewhere in between. Housing-policy experts assembled by the Center for American Progress, a think tank that has provided the White House input on past policy and personnel decisions, recently proposed that Fannie and Freddie be transformed into two or more companies whose profits would be capped like those of public utilities. There would be explicit federal guarantees on certain mortgage-backed securities. The new entities would be required to ensure that mortgages are available to low-income borrowers.

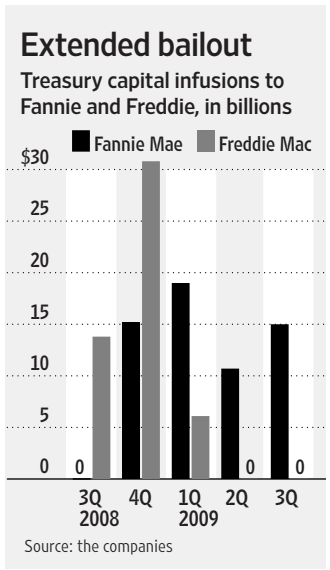
Others have proposed turning the companies into cooperatives owned by lenders, but subject to strict regulation.

With the fate of the two companies now largely in the hands of the government, employees have shifted their attention to the administration's loan-modification effort, called Home Affordable Modification Program, or HAMP. It provides financial incentives for banks and other owners of mortgages to reduce monthly loan payments for at-risk borrowers. Fannie and Freddie's job is to oversee how loan servicers—the firms that collect monthly payments on mortgages—are working with homeowners on the front lines.

The program is off to a slow start. The administration said it would offer three million to four million borrowers the chance to modify loans. Through December, loan servicers have signed up 903,000 borrowers for trial modifications. Just 66,000 have received a permanent fix so far.

Both Fannie and Freddie have struggled at times to adjust to the new marching orders. Fannie has warned in financial filings that the modification program had shifted "significant levels of internal resources and management attention" from other parts of the business, which could lead to a "material adverse effect" on the business.

At Freddie, David Moffett, the chief executive who took over when the federal government assumed control, left last March after only six months, partly because it became clear that regulators would be calling the shots. He says he and others warned administration officials that the loan-modification goals were unrealistic, that borrowers whose homes weren't worth what they owed were unlikely to take part, and that many participants would be likely to re-default within months. "They really didn't want our views," Mr. Moffett says.



Treasury's Mr. Barr says that isn't true. The Fannie and Freddie officials he worked with, he says, "were quite supportive of the program, of the structure and the basic design," and "were integral to the formulation."

Since then, Freddie has taken some heat for problems with part of the loan-modification drive. In an October report, the government said Freddie failed in its job as the program's auditor. Its task is to make sure loan servicers deal correctly with applications from borrowers for payment relief. Freddie says it has reassigned the vice president responsible for the effort.

Freddie's current chief executive, Mr. Haldeman, 61 years old, says it was immediately "very clear" to him that the loan-modification program was a top priority of the Obama administration. But the program isn't his only headache. As foreclosures mount, Freddie finds itself with title to more and more homes. The company wants to price them to sell, but doesn't want to put downward pressure on overall housing prices.

"Imagine having to keep the lawns mowed, the lights on, and the property secured for one house, let alone more than 40,000 homes all over the country," says Mr. Haldeman. "It's not an easy process."

John A. Koskinen, a turnaround specialist who became chairman of Freddie's board when the government stepped in, says that in all his years working for government agencies and troubled companies, "I've never been in one with as many challenges."

Last spring and summer, as interim CEO, he had to recruit executives to fill the top three jobs. Filling those jobs has put the company on firmer ground, he says, and having a clear mission—even a government-mandated one—is helping morale. "At least the getting yelled at by your neighbor in the grocery store is behind us," he says.

Loan standards today are tighter than they have been in decades. That means the default risk on loans guaranteed recently by Fannie and Freddie is much lower than it was a few years ago. But their mistakes during the housing boom are expected to continue burning holes in their balance sheets.

The Mortgage Bankers Association estimates that mortgage delinquencies won't peak any sooner than the middle of this year. At the current pace, around 6% of Fannie's loans and 4.9% of Freddie's are expected to go into default over the next 18 to 24 months, producing losses that would raise the price tag on Treasury's bailout to $175 billion, according to October estimates by investment bank Keefe, Bruyette & Woods Inc. The bank has since said that even that dire forecast is too optimistic.

Former FHFA head James Lockhart, the companies' top regulator until last August, says the U.S. is unlikely to ever fully recoup its investment in the two companies.

—Bob Davis contributed to this article.

David Moffett, pictured in 2008 at a conference in San Francisco, left last March after only six months as Freddie Mac CEO, partly because it became clear regulators would be calling the shots.

Charles Haldeman, named Freddie CEO in August, says: 'We're doing what's best for the country.'

(Top to bottom) Getty Images; Bloomberg News; Associated Press

John A. Koskinen, second from left, a turnaround specialist who became chairman of Freddie's board and interim CEO. He is shown with other CEOs who met with President Obama last March.

FROM PAGE ONE

Agence France-Presse/Getty Images

Jetliners from Asia's largest air carrier, Japan Airlines, at Tokyo's Haneda airport. JAL ended its flirtation with Delta Airlines and announced that it will continue its alliance with American Airlines.

JAL stays in AMR alliance, Delta is out

Continued from first page
scrutiny.

JAL and American will soon submit their application for antitrust immunity to the U.S. Transportation Department. Such immunity would enable the two carriers to form a joint venture, deepen their alliance, and schedule and price flights as one entity.

"We have analyzed this issue in great detail," said Masaru Onishi, JAL's president. "We firmly believe that the advantages of this development with American Airlines can strongly support JAL at a time when we are striving towards the revival of our business."

Gerard Arpey, CEO of American, said that he was confident the two carriers would receive immunity: "American remains confident that the ATI application will meet DOT's pro-consumer and pro-competition criteria for granting ATI, which will pave the way for our two airlines to operate a joint venture between the U.S. and Japan."

In a terse statement, Delta said late on Tuesday: "Delta is well positioned as the No. 1 carrier between the U.S. and Asia. Customers can continue to count on Delta for unmatched access to the U.S. and Asia."

Both companies offered more than $1 billion in incentives to JAL, which filed for protection from creditors last month with $25 billion in debt. But the Japanese government, which has pumped in cash, has rejected those offers for now.

Underscoring the importance of the deal to Delta, its top executives have been shuttling to Tokyo on a nearly weekly basis and set up camp at a hotel in Roppongi, in central Tokyo. Ed Bastian, Delta's president, has called his Tokyo suite "my living room." Visiting American officials set up camp at another hotel down the street in October and held daily conference calls with AMR headquarters in Fort Worth, Texas.

The decision by JAL ensures that American will retain an important foothold in Asia, the world's fastest-growing aviation market. It also dashes the hopes of Atlanta-based Delta to further expand its leading market share among U.S. carriers on lucrative trans-Pacific routes.

"This is clearly a big win for AMR," said Hunter Keay, an airline analyst at Stifel Nicolaus Capital Markets. "Delta is going to have a more difficult battle on its hands."

Two factors prompted the unusual public jousting between American and Delta in recent months. One was JAL's rapidly deepening financial woes, which required the once-proud airline to seek deeper ties with foreign rivals. JAL was the last of the major global airlines to tie up with partners, and it has had just a modest code-sharing alliance with American for several years. It has also been part of Oneworld, a global alliance of carriers including American, since 2007.

The other factor sparking the bidding was a tentative "open skies" agreement that was reached two months ago between the U.S. and Japan. It allows U.S. and Japanese carriers for the first time to sign joint ventures. Such ventures go far beyond traditional code-sharing deals, permitting allied airlines to closely coordinate routes, schedules and prices.

All Nippon Airways Co., Japan's second-largest airline, has already been pursuing a trans-Pacific joint venture with **UAL** Corp.'s United Airlines and **Continental Airlines** Co., the third- and fourth-largest U.S. carriers by traffic.

That had left only one other major carrier, JAL, as a potential partner for Delta and American, the largest- and second-largest U.S. airlines.

In seeking to pry JAL away from American, Delta was trying to rewrite the rules in an industry where defections from the three major global airline alliances have been rare. "I don't recall a more aggressive management team" than Delta, says Bill Swelbar, an industry researcher at the Massachusetts Institute of Technology.

The Delta-American battle for Asian markets escalated with Delta's takeover of Northwest Airlines in October 2008. The merger delivered to Delta Northwest's extensive Asian routes, including a trans-Pacific market share of more than 20% at Tokyo's Narita, and Northwest's Rolodex of Japanese government contacts.

Delta wasted no time trying to woo executives at JAL even though the ink on its own merger was still drying. That same month, Vinay Dube, Delta's vice president of strategic alliances, received a handwritten note from Delta's chief executive encouraging him to pursue a partnership with JAL, according to people familiar with the matter.

In the first week of December 2008, Mr. Dube, who had gotten his start in the airlines business years earlier at American Airlines, had an introductory meeting at JAL's Tokyo headquarters with Tsutomu Ando and Toru Mizuno, two senior JAL international affairs executives, according to people familiar with the matter.

American executives learned in early 2009 that Delta had approached JAL. But they weren't concerned because JAL executives had told them there was no chance of a switch. Messrs. Ando and Mizuno, who had met earlier with Delta, traveled to Fort Worth in August and met with American executives, including CEO Arpey. Over a dinner of steak, chicken and salmon at the Four Seasons hotel in nearby Irving, the JAL executives assured the American CEO that talks with Delta were a formality and that they had no intention of leaving American's 11-member Oneworld airline partnership, say people with knowledge of the discussions.

American and JAL negotiators met in Tokyo in September to discuss an expanded joint business agreement. On Sept. 11, after a second long day of meetings, Kenji Hashimoto, vice president of strategic alliances at American Airlines, stared in disbelief at his BlackBerry in a Tokyo hotel as he viewed Japanese press reports that Delta was offering JAL money to switch teams—and that JAL was seriously considering the offer.

A stunned Mr. Hashimoto quickly called his JAL counterparts, who confirmed the reports.

American scrambled. Mr. Arpey on Sept. 21 faxed a letter to JAL CEO Haruka Nishimatsu that appealed to their "special bond of comradeship" through "perilous" times. The company also turned to Norman Mineta, the former U.S. transportation secretary and a prominent Japanese-American. Now on American's payroll, Mr. Mineta met on Oct. 1 with an adviser to Japan's new prime minister, part of a broader lobbying effort at the government level.

The battle came to a head after JAL's Jan. 19 bankruptcy filing, when company and government officials said they would reach an alliance decision after new management took over Feb. 1.

Delta appeared at first to have the upper hand. People familiar with the matter told The Wall Street Journal last month that government officials were pushing JAL to pick Delta and its SkyTeam alliance, which they viewed as larger and offering more revenue opportunities. Delta's apparent coup was widely reported in the Japanese press. It didn't seem to help American's cause that JAL's Mr. Nishimatsu, who had been giving assurances of loyalty to the airline's partner, was forced to resign as part of the bankruptcy filing.

American fought back by arguing loudly in Tokyo and Washington that a Delta win would squash competition. Officials pointed out that Delta's SkyTeam would control more than 60% of the traffic between Japan and the U.S. if it joined forces with JAL, with Oneworld falling below 10%.

"I would be astonished if such a partnership could come together and pass any form of antitrust scrutiny," American's Mr. Arpey argued in a recent call with investors.

Officials from the U.S. Transportation Department called their Japanese counterparts in mid-January to reiterate that all joint venture applications would be closely examined on competition grounds. The calls were made after some Japanese officials suggested approval for a potential Delta-JAL partnership was a done deal.

In the end, the decision to remain with American's Oneworld partnership was due largely to the thinking of JAL's new chairman,Kazuo Inamori, according to a person familiar with the matter.

Mr. Inamori, the founder of ceramic maker Kyocera Corp. and a famed management guru, insisted that JAL start the process anew and with a clean slate. He also had conversations with officials in Washington, D.C., about concerns that a Delta-JAL alliance would run into trouble with regulators over antitrust issues.

Finally, officials in Tokyo concluded that, for all the frenzy, a switch really wasn't practical because moving JAL to a new partner would cause too much instability at a time when the carrier needs to nurse itself back into operating as a financially viable concern. "You don't take a very sick patient and ask it to change beds," said one person involved in the decision-making.

European Union leaders' summit turns to Greek triage

Continued from first page
move as a sign that a bailout for Greece could be on the horizon.

Hopes thinned after Mr. Trichet's office said he had planned to go all along.

EU policy makers say the tumult in Greece poses the first real test of the credibility of the euro, the bloc's decade-old common currency. In a sense, the euro is a risky experiment, an economic alliance built on common monetary policy but independent fiscal management, coupled with a weak political pledge that no individual country will spend too much—a rule that Greece has repeatedly violated over the past decade.

Greece's budget deficit for 2009 is expected to come in at close to 13% of its gross domestic product, far above the EU's ceiling of 3%.

For most of its life, the euro sailed along with countries such as Greece and Italy regularly breaking spending caps, and few investors caring much that the central EU executive had little authority to pull them into line.

Any solution for Greece could well become the template for future rescues, analysts say. "The fire can be put out overnight. It's not a lot of money," says Stephen Jen of the London hedge-fund manager BlueGold Capital Management. "There's a bigger issue here."

—Geoffrey T. Smith in Frankfurt contributed to this article.

Vedanta defends practices in India in response to criticism, protests
CORPORATE NEWS 21

Baroda's bond bellyflop is an embarrassing lesson
HEARD ON THE STREET 32

BUSINESS & FINANCE.

Wednesday, February 10, 2010 THE WALL STREET JOURNAL. asia.WSJ.com

Mining deal terms are unsettled

Confusion over Chinese partner, credit financing raises questions on Australia's Resourcehouse coal project

By Yvonne Lee
And Rachel Pannett

Australian billionaire Clive Palmer conceded that his mining company named the wrong Chinese firm when it announced a key 20-year supply deal over the weekend, a slip that created confusion Tuesday and could damage its credibility ahead of a planned initial public offering.

Mr. Palmer said in a statement Tuesday that Brisbane-based **Resourcehouse** Ltd. struck a sales deal with **China Power International Holding** Ltd., not the state-owned firm's listed unit, **China Power International Development** Ltd., that it named Saturday. The unit had issued a statement earlier Tuesday denying it had held talks with Resourcehouse.

Adding to the confusion, a spokesman for Resourcehouse said Tuesday the deal was binding, but China Power International Holding said late Tuesday in a statement that it has signed a framework agreement with Resourcehouse that doesn't include pricing or terms.

Whether a definitive agreement can be reached will depend on further negotiations with Resourcehouse, it said.

"What we have entered into is a framework agreement. We are working harder to settle the final contract that will take some time to complete," Zhao Yazhou, vice president of the Chinese firm, was quoted as saying separately, in the transcript of a luncheon meeting between Mr. Palmer and China Power International Holding on Monday.

Bloomberg News

Questions were raised about the terms of a coal-supply deal between Clive Palmer's Resourcehouse and a Chinese firm.

Mr. Palmer said Tuesday the agreement was, "for a 20-year term of supply of coal at a price linked to the seaborne market for the sale of 30 million [metric tons] per annum of coal."

He couldn't be reached to clarify the extent to which the terms of the agreement had been settled.

The sales agreement could be critical to the success of Mr. Palmer's ambition to create Australia's biggest coal mine, called China First and aimed at meeting that nation's surging coal needs.

The disconnect led to scrutiny of other parts of the deal. Resourcehouse had also said Saturday that Export-Import Bank of China agreed to lead debt financing for the project, contributing US$5.6 billion of the estimated US$8 billion development cost. An Export-Import bank spokesman said Tuesday he had no information about the agreement.

The confusion surrounding the coal pact highlights the difficulties of doing business in China, where listed companies are often linked to state-owned conglomerates via various holding companies.

China Power International Holding Ltd. owns about 69% of the Hong Kong-listed unit and itself is 100% owned by a parent company, which is known as **China Power Investment** Corp. or CPI Group.

It isn't immediately clear what impact the confusion surrounding the coal supply pact might have on Resourcehouse's planned initial public offering in Hong Kong, which is expected as early as next month.

A person familiar with the IPO said Tuesday the China Power deal would have little effect on the timing of the float, though the person noted that having more clients would help make Resourcehouse's IPO more attractive to investors.

Resourcehouse delayed a Hong Kong IPO in November ahead of a stake investment by Metallurgical Corp. of China Ltd. Metallurgical Corp., which has agreed to help build the China First project, located in central Queensland's Galilee Basin, on Feb. 3 agreed to buy US$200 million worth of shares, equal to as much as a 5% stake in Resourcehouse, depending on Resourcehouse's IPO price.

The coal supply project faces significant logistical hurdles. The deposit, which has a projected output of 40 million tons a year of coal suitable for power plants, is located 490 kilometers inland.

Analysts have said the cost of building a railway network to transport the coal to a port on Queensland's northeastern coast will make profit margins tighter than at other Australian coal mines.

China is the world's largest producer and user of coal, and last year it became a net importer of the fuel. Australia already is the largest supplier of coal to China. Of the 125.8 million tons of coal imported by China in 2009, 43.9 million came from Australia.

—Alex Wilson and Amy Or contributed to this article.

Nissan rides sales growth, cost cutting to a profit

By Yoshio Takahashi
And Kazuhiro Shimamura

YOKOHAMA, Japan—**Nissan Motor** Co. on Tuesday reported a return to profitability in its fiscal third quarter as cost cuts and sales growth in China offset the impact of a strong yen, prompting the company to raise its full-year outlook.

Japan's third-largest automobile manufacturer by volume posted a net profit of 45 billion yen ($503.9 million) in the three months ended Dec. 31, improving from a net loss of 83.16 billion yen a year earlier and beating a 19.9 billion-yen profit forecast of analysts polled by Thomson Reuters.

"Our performance in the third quarter of fiscal 2009 is encouraging, demonstrating that our countermeasures are working," Nissan President and Chief Executive Carlos Ghosn said in a statement.

For the current fiscal year to March 31, Nissan, which is 44%-owned by European counterpart **Renault** SA, said it now expects a net profit of 35 billion yen, compared with its earlier forecast of a 40 billion-yen net loss.

This makes Nissan the latest Japanese car maker to upgrade its full-year forecast, following solid earnings from Toyota Motor Corp. and Honda Motor Co. last week.

The results come as Japan's auto industry continues to recover, helped by more streamlined operations and rebounding sales at home and abroad.

Overseas rivals such as Ford Motor Co. and Hyundai Motor Co. also have reported solid earnings in the past few weeks.

Nissan lifted its global sales forecast to 3.48 million vehicles from 3.3 million and its global production estimate to 3.29 million vehicles from 3.17 million.

Its October-December vehicle sales in the U.S., Japan, Europe and China all recorded double-digit increases from a year earlier.

Chief Operating Officer Toshiyuki Shiga said, however, noted that government support measures such as incentives to scrap older vehicles will expire in major markets this year.

"We did post good figures in our earnings results, but I don't yet have a good sense of market recovery," Mr. Shiga said at a news conference.

There is growing uncertainty in the industry over the impact of quality-control issues at Toyota,

Please turn to page 21

Bloomberg News

CIC's disclosure reveals strategy

[Asia Deal Journal]

By Rick Carew

It is a rare event when the world gets a peek into the stock portfolio of a $300 billion Chinese sovereign-wealth fund. Thanks to a regulatory filing that **China Investment Corp.** made with U.S. securities regulators, investors are now able to do just that.

They can see, for instance, that CIC holds shares of American International Group Inc., Apple Inc. and Citigroup Inc., as well as the same sorts of index funds many small investors buy to get broad exposure to different markets.

What insights can investors glean about the fund's strategy and how the people who run it view the markets? Here are some answers to these and other questions raised by CIC's disclosure.

Is China building strategic stakes in major U.S. companies like Apple and Coca-Cola **Co. through its sovereign-wealth fund?**

Unlikely. CIC held just 30,000 shares of Apple at the end of 2009, representing an insignificant amount of the 907 million shares outstanding. The same calculation works for the other U.S. blue-chip holdings: each is a tiny number, mostly less than 1%. The exceptions are its negotiated investments in companies such as Morgan Stanley and **BlackRock** Inc. In both those cases, the company's management sought out and welcomed CIC's investment.

Chinese companies attempting to buy major stakes in U.S. firms have at times met with political resistance and rejection, and CIC's management is aware of the sensitivities that would be raised by its own presence as a major shareholder in certain companies. In fact, CIC management has said so in the past.

How much of CIC and China's overall portfolio does this represent?

Bloomberg News

CIC Chairman Lou Jiwei sees investment opportunities in emerging markets.

A relatively small portion. The $9.6 billion invested in U.S.-listed equities is less than 10% of CIC's $110 billion allocated for international investments. It is an even smaller fraction of the Chinese government's overall portfolio if you consider the $2.27 trillion in reserves held by the State Administration of Foreign Exchange at the end of September. The U.S. Securities and Exchange Commission is concerned with U.S. public-market investors, so stakes in unlisted holdings by CIC aren't included. Many of the holdings disclosed in the filing are shares in foreign companies with American depositary receipts or exchange-traded funds whose underlying assets are outside the U.S.

Does that mean that China is bearish on the U.S. market?

Hard to say. It is likely that CIC has much more invested in the U.S. and elsewhere on its behalf by outside managers. Some estimate CIC has put more than $25 billion into markets through outside managers. CIC hasn't released any indication of the size of those allocations in 2009, which will probably only be disclosed in its annual report later this year. It has also placed billions of dollars into fixed-income products, hedge funds and private-equity funds. None of those are covered by its 13F filing with the SEC.

Senior CIC officials, including Chairman Lou Jiwei, have said in the past that they believe there are better investment opportunities in emerging markets, including China. Many foreign investors take a similar view, and U.S. investors pumped a record amount of money into overseas mutual funds last year. However, CIC retains large stakes in U.S. financial firms including Morgan Stanley and Blackstone Group, despite the decline in the value of those investments.

What does the filing tell us about CIC's strategy?

It appears CIC is giving its in-house portfolio managers a chance to construct investing strategies with a tiny proportion of CIC's own money to deploy into relatively blue-chip companies that they believe either have strong growth prospects or are undervalued. Names on the list such as insurer AIG and Citigroup were hit hard in the financial crisis and would benefit from a rebound in the U.S. economy. Interestingly, CIC held a $5 million stake in Burlington Northern Santa Fe Corp., a company that at the end of 2009 was in the middle of a takeover offer from Warren Buffett's Berkshire Hathaway Inc. The strategy of holding stakes in companies in the middle of takeovers is called "merger arbitrage." It is a common hedge-fund strategy and depends on the ability of a fund to read the likelihood of a deal being completed better than the market.

Is China's sovereign-wealth fund becoming more transparent by making such a disclosure?

The SEC requires any institutional investors holding more than $100 million in U.S.-listed securities to submit the same sort of 13F filing that CIC made. So it is fair to say that CIC wasn't doing this because of a desire for transparency, even if transparency is the end result.

In fact, CIC's president, Gao Xiqing, has said he doesn't believe it is smart for CIC to reveal its holdings and positions because it allows the market to move against them. This is a similar view that many hedge funds take, and they also have to file Form 13Fs to the SEC, which are usually disclosed. A few managers, such as Mr. Buffett, sometimes receive exemptions because they are pursuing trading strategies that take place over extended periods of time, which they argue could be adversely impacted by other market participants knowing certain holdings. But that is ultimately the SEC's call, not the manager's.

Airplane seat maker faked data on safety

By Daisuke Wakabayashi

TOKYO—Japanese manufacturer **Koito Industries** Ltd. said it falsified safety testing data for some 150,000 airplane seats installed on about 1,000 **Boeing** Co. and Airbus planes operated by 32 airline carriers around the world.

Airlines, regulators and plane manufacturers said the seats don't pose a safety risk. But the move marks the latest black eye for Japan's manufacturing industry following on the heels of **Toyota Motor** Corp.'s widespread problems involving its accelerators and braking systems. Toyota owns a 20% stake in Koito's parent company, though the two incidents aren't related.

In order to meet surging demand for seats to outfit new planes, Koito said, it used a computer program that produced false readings on safety tests to meet standards for seat strength. The company said it would begin testing all the seats covered by the falsified testing data and fix any that are found to fall short of requirements.

Koito also admitted to skipping some safety tests entirely and using figures from previous exams. The company's actions came to light when a whistleblower stepped forward last year.

"I am deeply sorry," Koito President Takashi Kakegawa said at a news conference on Monday, noting that the deception involved the entire department overseeing the testing and has dated back to the 1990s.

Shares of Koito fell by its daily limit of 80 yen, or 33.5%, to 159 yen ($1.78) on the Tokyo Stock Exchange Tuesday. The Yokohama-based company, which also makes seats for trains and traffic signals for city roads, said it has not received any safety complaints regarding the seats in question.

Japan's transport ministry said there is no need to ground the planes using the Koito seats. An Airbus official said safety isn't a concern. A Boeing official wasn't available for comment.

INDEX TO BUSINESSES AND PEOPLE

Businesses

This index of businesses mentioned in today's issue of The Wall Street Journal is intended to include all significant reference to companies. First reference to the companies appears in bold face type in all articles except those on page one and the editorial pages.

Agile Property Holdings 27
Alcoa 27
All Nippon Airways 16
American Airlines 1
Anheuser-Busch 23
Asiana Airlines 27
Bank of America 27
Bank of Baroda 32
Bank of China 27
Bank of Communications 27
Blackrock 18
Boeing 18, 20
Boyd Gaming 19
Cargolux Airlines International 20
Caterpillar 27
China Cosco Holdings ...27
China Investment Corp. 18
China National Petroleum 23
China Power International Development 17
China Power International Holding 17
China Power Investment 17
Citigroup 23, 27
Clearwire 25
Climate Exchange 23
Cnooc 27
Coca-Cola 20, 27
Continental Airlines 16
CTS 22
Daimler 19
Delta Air Lines 1
Depository Trust and Clearing 24
Dow Jones 10
DuPont 27
Electronic Arts 27
Erdenes MGL 26
Erdenet Mining 26
Esprit Holdings 27
European Aeronautic Defence & Space 20
Fannie Mae 14
Ford Motor 19
Freddie Mac 14
Galleon Group 25
General Motors 19
Green Street Advisors ..10
Hang Lung Properties ..27
Husky Energy 27
ICICI Bank 32
Industrial & Commercial Bank of China 27
Intel 25
Ivanhoe 10
Japan Airlines 1
Jiangxi Copper 27
Jones Lang LaSalle 10
Kerry Properties 27
Kirin Holdings 23
Koito Industries 18
Kumho Industrial 27
Kumho Tire 27
Macquarie Group 24
Maharashtra Hybrid Seeds Company 5
Mazda Motor 27
Metrovacesa 10
MGM Mirage 19
Microsoft 32
Mongolia Energy 26
Mongolian Airlines 26
Mongolian Stock Exchange 26
Nissan Motor 17
NYSE Euronext 24, 27
Orangina Schweppes Group 23
Pioneer 27
Posco 27
Renault 17
Resourcehouse 17
Rio Tinto 9
Rodamco Europe 10
Singapore Telecommunications ..19
Sino Land 27
SouthGobi Energy Resources 26
State Bank of India 32
Suntory 23
Toyota Motor 1, 18, 19, 22, 27
UAL 16
UBS 25
Unibail-Rodamco 10
Volkswagen 10

People

This index lists the names of businesspeople and government regulators who receive significant mention in Today's Journal.

Absher, Gordon 19
Arpey, Gerard 16
Bastian, Ed 16
Bowie, Grant 19
Chiji, Kozo 23
Chin, James 5
Christoffersen, Kyla 9
Crawford, Stuart 9
Cryan, John 25
de Grauwe, Paul 8
Diaz, Chris 26
Fox, William F. 9
Gao Xiqing 18
Gayle, Alan 27
Geltzeiler, Michael 24
Ghosn, Carlos 17
Goel, Rajiv 25
Grübel, Oswald 25
Haldeman, Charles E. Jr. 14
Ho, Pansy 19
Ho, Patricia Jiayi 19
Ho, Stanley 19
Inaba, Yoshimi 22
Inamori, Kazuo 16
Jiwei, Lou 18
Ma Jun 4
Kakegawa, Takashi 18
Keay, Hunter 16
Kent, Muhtar 20
Khan, Shah Rukh 3
Koskinen, John 15
Lusk, Cody 22
Mackie, Ian 10
Maehara, Seiji 22
Mazerov, Michael 9
McNerney, Jim 20
Mineta, Norman 16
Moffett, David 15
Moore, Nicholas 24
Morita, Chotaro 27
Mudd, Daniel 14
Murren, Jim 19
Niederauer, Duncan 24
Nishimatsu, Haruka 16
Onishi, Masaru 16
Pace, Ben 27
Palmer, Clive 17
Parsky, Gerald 9
Patil, Balachandra 3
Pecoriello, Bill 20
Rajaratnam, Raj 25
Saji, Nobutada 23
Sants, Hector 24
Sasaki, Shinichi 1
Shiga, Toshiyuki 17
Sjumanov, Alisher Ali ..26
Stupak, Bart 22
Toyoda, Akio 22
Waxman, Henry A. 22
Wayne, Jim 9
Yamashita, Makoto 27
Zhang, Yale 19

Corrections & Amplifications

Bankers organizing a planned Russian bond sale will be paid a fee of 0.05% of the total issue. A Markets article Monday about the sale incorrectly said they will receive 0.5%.

Agence France-Presse

MGM is divesting its 50% stake in the 2,000-room Borgata Hotel Casino in Atlantic City following a dispute with New Jersey regulators over its Macau partner.

MGM Mirage sheds Borgata

Exiting New Jersey, casino company says 'compelling growth opportunities' are in Macau

By Jonathan Cheng And Alexandra Berzon

HONG KONG—**MGM Mirage** said Monday that it would place its 50% stake in Atlantic City's Borgata Hotel Casino & Spa in a divestiture trust, the strongest signal yet that the casino giant sees its future in Asia amid a standoff with New Jersey regulators.

MGM Mirage's decision to divest its Borgata stake, which MGM Mirage made public in a regulatory filing Monday, comes after New Jersey regulators in May deemed the company's Macau business partner, heiress Pansy Ho, "unsuitable." MGM Mirage's move effectively positions it to move out of New Jersey, where the Borgata makes money but faces limited growth prospects.

Jim Murren, MGM Mirage's chairman and chief executive officer, said in the statement that he disagreed with New Jersey regulators' findings, but said: "We would like to put this matter behind us and move forward with the compelling growth opportunities we have in Macau."

MGM Mirage holds one of Macau's six casino licenses through its 50-50 joint venture with Ms. Ho. Neither MGM Mirage nor New Jersey authorities specified exactly what was "unsuitable" about dealing with Ms. Ho, the daughter of ailing Macau gambling tycoon Stanley Ho.

But in a 2005 report, New Jersey's Division of Gaming Enforcement, known as DGE, said that "over the years there have been numerous public allegations suggesting that Stanley Ho, the father of MGM's joint venture partner Pansy Ho, has ties to Asian organized crime."

Mr. Ho, who controls extensive gambling operations in Macau, has never faced charges and has disputed the accusations.

While the joint venture has the smallest market share among Macau's six operators, MGM Mirage sees considerable growth potential in the region, and is preparing for a Hong Kong listing of its Macau assets later this year.

MGM Mirage has talked to several casino companies and investors about a sale of their stake in the Borgata but has not come to terms, several people with knowledge of the discussions said last month.

Boyd Gaming, which manages the Borgata and owns a 50% stake, has the right under its contract with MGM Mirage to match any offer.

MGM Mirage spokesman Gordon Absher said the company couldn't provide details on the trust it is seeking with the state and its time frame for a sale of the Borgata.

MGM Mirage still has to seek the consent of its lenders to move its Borgata assets into the divestiture trust, adding that "no definitive settlement" had been reached with the DGE. Any settlement with New Jersey authorities would require the approval of both the DGE and the New Jersey Casino Control Commission.

"We disagree with the New Jersey Division of Gaming Enforcement's recommendation to the Casino Control Commission concerning our Macau partner, but believe pursuing a settlement with the DGE represents the best course of action for our company and its shareholders," Mr. Murren said in the statement.

Officials at MGM's Macau joint venture couldn't be reached.

A public hearing before the New Jersey gaming commission on MGM's Macau partnership could have precipitated inquiries in other states where MGM Mirage operates, or damp enthusiasm for a possible Hong Kong listing.

MGM Mirage's decision to leave Atlantic City is an indication of how the broader gambling business has shifted to Asia. Gambling revenues in Atlantic City are at their lowest point in more than a decade, while Macau is expanding rapidly.

Macau has now surpassed Las Vegas in gambling revenue and saw total gambling revenue of 13.9 billion patacas in January, 23% higher than in December and 64% higher than January 2009.

Citigroup analysts said MGM Grand Macau, operated by the MGM Mirage-Pansy Ho joint venture, saw its market share rise to 9%, from 6.6% in December.

The company is also readying a relaunch of its property, moving its inconveniently-located main entrance to a more favorable spot and focusing more closely on upper middle class Chinese patrons.

Grant Bowie, the president of the joint venture, acknowledged in an interview last month that MGM's brand hasn't been as strong as expected with Chinese gamblers, adding that "we need to make it a China brand."

—A.D. Pruitt contributed to this article.

SingTel profit rises amid Indonesia gain

By Se Young Lee

SINGAPORE—**Singapore Telecommunications** Ltd. posted a strong fiscal third-quarter net profit, citing results from its Indonesian associate and favorable foreign-exchange rates.

Still, the company is taking a conservative stance regarding its earnings forecast for this year, saying cautious corporate telecom spending and slow demand for business-related services affected data and international telephone revenue growth in Singapore and Australia in the quarter.

SingTel said in a filing with the Singapore Exchange Tuesday that net profit for the quarter ended Dec. 31 rose 24% to 990.7 million Singapore dollars (US$695.8 million).

Operating revenue rose 20% to 4.45 billion Singapore dollars, as the Australian dollar appreciated 27% against the Singapore dollar during the period.

SingTel said pretax profit from its regional mobile units, a key driver for bottom-line growth, increased 21% to 560 million Singapore dollars. The contribution from SingTel's Indonesian associate, PT Telkomsel, rose 53%, compensating for weak contributions from other units.

The company reaffirmed its existing full-year guidance, saying it expects its Singapore operations' operating revenue to grow at single-digit levels and earnings before interest, taxes, depreciation and amortization, or Ebitda, to post low-single-digit growth. For its Australia business, SingTel expects single-digit operating-revenue growth and low-single-digit Ebitda growth.

SingTel Chief Executive Chua Sock Koong also said during a news briefing that the company has made no decision to sell or list its Australian unit, Optus.

Ms. Chua told reporters at the briefing that SingTel's primary investment focus is in Asia, though the company would also consider opportunities in Africa and the Middle East. She didn't name specific targets. She added that SingTel would also consider working with its associates on possible investments, as it did when Indian associate Bharti Airtel Ltd. pursued a merger with MTN Group Ltd. of South Africa. Those talks ultimately collapsed late last year after the South African government balked at the deal's structure.

Auto sales in China doubled last month

By Patricia Jiayi Ho

BEIJING—China's auto sales surged to a monthly record of 1.66 million vehicles in January, extending last year's strong gains.

However, auto executives don't expect the rapid growth to be sustainable. January's rise benefited from a low comparison base in the year-earlier month, before Beijing unveiled steps to boost vehicle sales during the global economic crisis.

Sales last month more than doubled from a year earlier, the China Association of Automobile Manufacturers said Tuesday. Executives at auto manufacturers have said they expect 2010 sales growth in China to slow to 10%-15%. Last year, China's vehicle sales rose nearly 50% to 13.6 million units, as the country overtook the U.S. as the world's largest auto market.

In January 2009, China's auto sales fell 14%. The country's auto market started to show momentum a couple of months into last year, after the government introduced sales incentives in late January and manufacturers began to increase production to meet demand. "We need to look at growth from March," said Yale Zhang, an analyst at CSM Worldwide. "That will show whether the market will continue to grow in a healthy way or not."

Beijing's incentives included halving a purchase tax on small vehicles to 5%, which analysts said likely helped sales soar last year at the expense of growth this year.

The government also pulled backed some incentives this year, raising the tax to 7.5%. It remains below the normal rate of 10%, but could provide less incentive for consumers to buy new vehicles. Separately, the government increased the subsidy for trade-ins of old, pollutive vehicles to a range of 5,000 yuan to 18,000 yuan ($732 to $2,637), from between 3,000 yuan to 6,000 yuan previously.

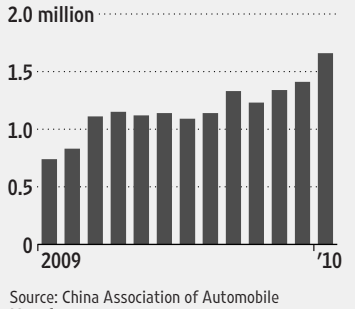
China has been a bright spot for auto makers, who have faced weak demand in developed markets.

Mercedes-Benz (China) Ltd., a unit of **Daimler** AG of Germany, said Tuesday its January sales in China more than doubled to 8,120 vehicles.

Last week, **General Motors** Co. said its January sales in China rose 97% to 219,192 vehicles, while **Toyota Motor** Corp. of Japan said its sales in China rose 53% to 72,000 vehicles in January. **Ford Motor** Co. said its passenger-vehicle sales in China more than doubled last month to 30,759 vehicles.

Record race

China's monthly auto sales



Source: China Association of Automobile Manufacturers

CORPORATE NEWS

Boeing 747 takes off into hazy skies

Latest redesign of 40-year-old jumbo jet, plagued by delays and mounting costs, has been slow to win orders

By Peter Sanders

Boeing Co.'s revamped 747 took off on its maiden flight Monday. But the jetliner has been slow to attract orders as the company again redesigns a successor to a plane that has been flying for 40 years.

Known as the 747-8, the plane is the largest commercial jet Boeing has ever built. But throughout its development the aircraft has been mostly overshadowed by the 787 Dreamliner, the new cutting-edge plane that is designed to be lighter and more fuel efficient than other commercial aircraft in its class.

Boeing has struggled as it developed both aircraft; the Dreamliner is more than two years behind schedule, while the 747-8 is about a year late.

The first test flight, which was delayed slightly by fog at Paine Field, north of Seattle, marks the beginning of a rigorous testing regimen the aircraft must undergo to receive certification from the Federal Aviation Administration.

The Chicago-based company hopes to deliver the first 747-8 by year-end. But it has had a hard time lining up customers, with its passenger version caught between Airbus's A380 and Boeing's own 777.

Boeing has 76 orders for the jet configured as a cargo hauler, the first of which is expected to be delivered in the fourth quarter to Luxembourg's **Cargolux Airlines International** SA.

Associated Press

Boeing's 747-8 takes off from an airfield near Seattle. The company hopes to deliver the first aircraft by year-end.

A passenger version, which can carry up to 467 people in three classes, will begin deliveries at the end of next year. But Boeing has only 32 orders for that version, from just two airlines and a handful of VIP customers. By contrast, the Dreamliner has more than 850 orders, despite its numerous delays.

The planes carry a list price of more than $300 million, though airlines typically negotiate discounts.

Rising costs for the 747-8 have weighed on Boeing's balance sheet. Early last year, Boeing said the program was unprofitable, and the company in October took a $1 billion write-down on the jet.

It is unclear when or if the company will make money on the aircraft. For a time, senior company executives questioned whether the program would continue.

Nevertheless, Boeing executives say they are optimistic about the 747-8's viability. "It's sort of a full-court press on all elements of the business equation," Jim McNerney, Boeing's chief executive, said on an earnings conference call last month.

The 747, with its humped upper deck, is Boeing's most recognizable plane. When Boeing began looking at another update of the 747, which first began service 40 years ago, it considered building a big new version to compete directly against the A380 double-decker plane built by the Airbus unit of **European Aeronautic Defence & Space** Co. But Boeing was unable to gain traction with airline customers for that idea.

By 2005, Boeing decided on the 747-8, which would boast a slightly longer fuselage than the 747-400, as well as greater fuel efficiency, a new wing design and the same engines and cockpit as the Dreamliner.

But as Boeing began to redesign its jumbo jet, the price tag began to soar. Updating the 747 airframe with new technology, working off blueprints from the 1960s, took longer than expected, adding to costs.

The company also was delayed by a two-month machinists' strike in 2008, as well as the need for Boeing to transfer engineers from the 747-8 program to help fix the Dreamliner.

Once deliveries of the 747-8 begin this year, Boeing still will face headwinds. The air-cargo market has recently shown signs of recovery after a steep dropoff during the global recession. But scores of older cargo planes sit parked around the world, waiting to be put back in service if demand recovers.

In addition, airlines can also convert older passenger 747s into cargo planes, making it harder for airlines and leasing companies to justify buying a new ones.

EXCLUSIVELY
FOR WSJA READERS!*
First 20 registrations will receive a FREE congress pass and 2-night stay at the luxurious Swissotel the Stamford, Singapore.
REGISTER NOW at
www.afscongress.com/wsja
AFSC
ASIAN
Financial Services
Congress
Raffles City Convention Centre, Singapore
25 – 26 February 2010
Join us on the 25th - 26th February 2010 in Singapore at the 6th Annual Asian Financial Services Congress.
Hear from the region's distinguished leaders as they:
• share their views on how the region's financial institutions should set themselves up for the upturn,
• give advice on how the industry should rebuild their franchise, and
• discuss how business and operational innovation will help pave the way.
Here's a quick glimpse of whom you will be meeting.
Ray Ferguson
Regional CEO,
Singapore and South East Asia,
Standard Chartered Bank
Michael Lor
Group CEO,
EON Bank Group
Rajit Punshi
Head Group Operational
Risk Policy,
Standard Chartered Bank
Dhananjaya Dvivedi
Senior Managing Executive
Officer, Group Chief
Information Officer,
Head of Banking
Infrastructure Group,
Shinsei Group
Yungky Setiawan
President Director,
PT Bank Mega Tbk
Nicholas Winsor,
President and CEO,
HSBC (Taiwan)
For the full speaker list and agenda, visit www.afscongress.com
For registration enquiries, please contact: Ivy Tan / Tel: +65-6829 7506 / Email: itan@idc.com
For all other enquiries, please contact: Joyes Lim / Tel: +65-6829 7750 / Email: joyeslim@idc.com
Official Business Newspaper:
THE WALL STREET JOURNAL. ASIA
PRINT • ONLINE • MOBILE
Proudly brought to you by:
iDA SINGAPORE
In Collaboration With:
ie Singapore
Held In:
UNIQUELY Singapore
Organized By:
IDC Financial Insights
*This offer is strictly valid for employees from a financial institution only (not applicable to vendors). Delegates residing in Singapore are not entitled to the 2-night stay at Swissotel the Stamford. This is subject to availability and on a first come first served basis. Pre-registration is required and subject to final approval by IDC Financial Insights.

Coca-Cola's profit gets overseas boost

By Anjali Cordeiro

Strong sales of its namesake soda in developing economies such as Brazil and India pushed **Coca-Cola** Co.'s fourth-quarter profit up 55%, but tepid consumer spending continued to pressure its business in North America.

Coca-Cola's earnings reflect a trend reported by other consumer-product companies in recent weeks: Consumer spending in fast-growing markets in Asia and Latin America has generally bounced back, but the U.S. consumer has yet to make a comeback.

"With consumers still challenged by a mixed global recovery, there again may be bumps along the way with some quarter-to-quarter volatility still possible as we move through 2010," Coca-Cola Chief Executive Muhtar Kent said during a conference call. But the U.S. company still expects to meet its long-term financial targets, he said.

Overall, Coca-Cola's volumes, a closely watched measure, rose 5%. But in North America volume declined 1%. The company has a food-service business in the U.S. that supplies restaurants, which have been hurt as consumers eat out less. Coca-Cola has been able to withstand pressures in North America because about 79% of the company's revenue comes from overseas.

Still, the company's profit margins in some of its fastest-growing emerging markets also tend to be narrower than those in more developed markets.

"Volume and topline were better than expected," said Bill Pecoriello, an analyst at Consumer Edge Research. But the better volume growth didn't translate into outsize earnings partly because price points are lower and profitability per case is lower in emerging markets, Mr. Pecoriello said.

Coca-Cola has said its margins are likely to improve in China and India as the company expands and builds its infrastructure there.

Atlanta-based Coca-Cola reported a profit of $1.54 billion, or 66 cents a share, up from $995 million, or 43 cents a share, a year earlier. The prior year had charges of 21 cents a share. Revenue increased 5.3% to $7.51 billion, though the period had six fewer selling days.

Coca-Cola said it will buy back $1.5 billion of stock in 2010 and added that it bought shares at that level in 2009. Currency translation is likely to have a slightly positive impact on operating income this year, the company said.

Gross margin rose to 64.7% from 63.9%. North America sales fell 4% as volume sank 1%. But volume rose 6% globally, and India and China experienced big volume jumps.

Sparkling beverages, which includes Coca-Cola's carbonated-drinks business, recorded volume growth of 3%. The namesake soda had a 4% gain. In the still-beverages segment, which includes Dasani water and the Powerade sports-drink brand, volume rose 9%.

—Tess Stynes contributed to this article.

CORPORATE NEWS

Vedanta defends India mine

After criticism, firm says project will protect environment, human rights of tribespeople

By Prasenjit Bhattacharya And Jeffrey Sparshott

Vedanta Resources PLC Tuesday responded to criticism and negative publicity regarding its industrial and mining practices in India's Orissa state, saying it is taking measures to address both human rights and environmental concerns.

The international criticism is hurting Vedanta's image and investor confidence. Last Friday, the Church of England said it had sold its £3.8 million ($5.9 million) stake in Vedanta, as it wasn't satisfied the company had shown "the level of respect for human rights and local communities that we expect," specifically pointing to the mining and refinery projects in Orissa.

Vedanta rebutted a critical report by human-rights group Amnesty International which had faulted the company for polluting areas around its Lanjigarh alumina refinery and displacing the Dongria Kondh tribe for its planned bauxite mine.

"The majority of the Amnesty International report is based on an outdated document," the company said, adding that Amnesty "was fully briefed by Vedanta on the nationally scrutinized processes and environmental safeguards followed over many years by the company prior to commencing the project and during its development."

Associated Press

Amnesty International campaigners protested the India project outside Vedanta Resources offices in London on Monday.

Amnesty said the Lanjigarh alumina refinery is causing air and water pollution that threatens the health of local people, and the mine "threatens the very existence of the Dongria Kondh, an 8,000-strong indigenous community that has lived on the Niyamgiri hills for centuries."

It said India's government should stop Vedanta's planned bauxite mine and expansion of the Lanjigarh refinery.

The mine's bauxite will be used to produce alumina at its refinery. Vedanta said earlier it will invest $2.5 billion in the project.

Vedanta said the criticism of the project is misplaced, since "it will deliver significant economic stimulus to the local community."

The company said it is spending 505.3 million rupees ($10.8 million) to lessen the impact of its mining and refinery projects on wildlife.

On the issue of displacing tribal people for its mine, the company said it has rehabilitated 120 families affected by the project so far, with a member of each family being given a job at the Lanjigarh refinery.

Cost cutting, sales growth help Nissan turn a profit

Continued from page 17

which is struggling to cope with a global recall affecting more than eight million vehicles.

Executives from Japanese auto makers have said recently that the turmoil at Toyota could tarnish the image of Japan's auto industry as a whole.

While Mr. Shiga stopped short of commenting on whether Toyota's recalls will have any effect on his company's sales, Nissan will continue its efforts to improve the safety and quality of its products, he said.

During the just-ended quarter, Nissan's sales rose 9.9% to 1.996 trillion yen from 1.816 trillion yen, while operating profit reached 134.07 billion yen, reversing a 99.19 billion-yen operating loss from a year earlier.

For the full fiscal year, the maker of the Altima sedan, Tiida subcompact and the recently developed Leaf electric car raised its operating-profit forecast to 290 billion yen from 120 billion yen and its sales projection to 7.4 trillion yen from seven trillion yen.

Nissan reports its earnings under Japanese accounting standards.

Gmail seeks to rival Facebook, Twitter

By Jessica E. Vascellaro

Google Inc. is taking a swipe at **Facebook** Inc. and **Twitter** Inc. with a new feature that makes it easier for users of Gmail to view media and status updates shared online by their friends.

Google was expected to announce the new feature at a press event Tuesday. A Google spokeswoman declined to comment. The change adds a module to the Gmail screen that will display a stream of updates from individuals a user chooses to connect with, said one of these people. It is a format popularized by Facebook and Twitter.

Yahoo Inc. added a similar feature to Yahoo Mail last year, allowing users to see whether friends have uploaded a photo to a site like Flickr, for example.

Google is trying to get users to turn to Gmail as a place they can go to see what's up with their friends. But whether users will want to blend sending email with browsing friends' content is unclear.

Google has been trying to fashion Gmail into more than an email service for years. It already lets users set an "away message"—which can be a link to a Web site—that their friends see.

The new stream will eventually include content that a user's connections share through Google's YouTube video site and Picasa photo service, according to one person familiar with the matter.

Google's move comes after Facebook last week rolled out a new design with a new message inbox that more closely resembles an email inbox like Gmail's. The social-networking company said it had roughly 400 million users. Gmail had 176 million unique visitors in December, according to comScore Inc.

Ghana blocks Exxon field deal

LAGOS, Nigeria—The government of Ghana blocked the estimated $4 billion sale of a stake in a huge oil field, foiling months of talks between potential buyer **Exxon Mobil** Corp. and the stake's owner, **Kosmos Energy** LLC.

The government accused Dallas-based Kosmos of cutting Ghana's state-run oil company out of discussions about the field's development and then sharing information about the field with potential buyers without government permission. The government has recently scouted for partners for Ghana's oil company.

Ghanaian Energy Minister Joe Oteng-Adjei said state-run **Ghana National Petroleum** Corp. would be the only entity allowed to buy the Kosmos stake in the "Jubilee" field.

The decision is the second recent setback for Exxon's expansion plans in Africa, after an attempt to buy a stake in a Uganda field also fell through.

From April 1st, the McGill MBA Japan office and all classes are moving to the Hilton Tokyo in Nishi-Shinjuku. The McGill MBA Japan program lets you earn a first-class, integrated MBA while attending classes two weekends a month in Tokyo. With our unique 18-month MBA program you can continue to work full-time, immediately adding new competencies to accelerate your career. Come to our Open House on February 21 at the Hilton Tokyo and discover why the Times Higher Education Supplement ranks McGill as one of the world's best universities. For more information, visit www.mcgillmbajapan.com, contact inquiry@mcgillmbajapan.com or call 81-3-5215-1383.

DESAUTELS Faculty of Management Faculté de gestion

McGill MBA JAPAN

Congress probes Toyota fix

Panel questions whether car maker, regulators have gotten to root of acceleration problem

By Neil King Jr.

Congressional investigators examining **Toyota Motor** Corp.'s safety troubles are questioning whether the company and regulators have fully grasped what caused the sudden acceleration problems behind the car maker's recalls.

Whether Toyota has identified and solved the gas-pedal problem was set to be the focus of a congressional hearing Wednesday, but the session was delayed due to the forecast of a snowstorm. The hearing, rescheduled for Feb. 24, will be the first of a series of public grillings lawmakers plan for Toyota brass and top regulators at the U.S. Department of Transportation's National Highway Traffic Safety Administration.

In a memorandum to lawmakers on the House Oversight and Government Reform Committee, investigators for the panel pointed to what they called "a growing body of evidence that neither Toyota nor NHTSA have identified all the causes of sudden unintended acceleration in Toyota vehicles."

The memo said that remedies deployed by Toyota, such as redesigning some floor mats and fixing sticky gas pedals, "have failed to solve the problem."

"Attention is now being focused on the electronic throttle control system (ETC) to determine whether sudden acceleration may be attributable to a software design problem or perhaps to electromagnetic interference," the memo said. "The committee staff found numerous complaints made to NHTSA describing sudden acceleration that was not caused by either floor mats or sticky pedals."

Committee staffers cautioned that their investigation remains preliminary. Toyota and NHTSA turned over some documents last week and are expected to furnish another batch Tuesday. Toyota has recalled more than six million U.S. vehicles in two announcements since September.

Getty Images

U.S. Rep. Darrell Issa (R., Calif.) asked a congressional panel to examine actions of Bush administration officials on Toyota.

Toyota spokeswoman Cindy Knight said the company feels confident it has solved the primary causes of the acceleration problem. "We believe we will be reassuring the committee that we have addressed a problem that is very complex, very rare and is something that other car companies have struggled with as well," she said.

Committee Chairman Edolphus Towns (D., N.Y.) intends to use the hearing to dig into whether NHTSA was swift and forceful enough in pursuing Toyota's gas-pedal problems, which have cropped up in various forms for nearly a decade, said a committee spokeswoman.

Witnesses scheduled for the hearing included Transportation Secretary Ray LaHood, NHTSA administrator David Strickland and Toyota's North American president, Yoshimi Inaba.

The committee memo said the hearing would examine "whether Toyota and NHTSA have failed to meet their statutory and regulatory responsibilities, and, if so, why."

In a letter Monday to Chairman Towns, Rep. Darrell Issa, the committee's ranking Republican, urged the panel to focus on potential oversight lapses during the Bush administration as well.

"With unresolved complaints documenting incidents of unintended acceleration in Toyota model vehicles as early as 2003, I have serious concerns about the agency's actions under the previous administration," Mr. Issa said. Mr. Issa called on the committee to question President George W. Bush's two transportation secretaries as well as the last two NHTSA administrators.

The committee spokeswoman said it was unclear whether Mr. Towns would call a second hearing to question previous administrators. The House and Senate Commerce committees both plan Toyota hearings later this month.

Toyota, meanwhile, is ramping up its lobbying efforts. About 50 Toyota dealers planned to fly to the capital this week to meet with members of the oversight committee. "The intention is to explain to members what is going on in their districts when it comes to Toyota dealerships," said Cody Lusk president of a dealership group that organized the trip.

Brake problem prompts Toyota to recall hybrid vehicles

Continued from first page

surfaces—is a matter of "brake feel" that some people find problematic and others consider acceptable.

To him, it is "a matter of customer preference"—not something for which there should be a recall, an action tantamount to admitting a defect.

Before the latest controversy, many Toyota engineers felt the issue could have been handled more quietly, with dealers correcting the problem only when customers raised issues.

Critics have said that mind-set is what got Toyota in trouble in the first place.

"It might be that [Toyota] considered it a minor problem," Japanese Transport Minister Seiji Maehara said Tuesday in a briefing, referring to the brake problem with the Prius hybrid. Mr. Maehara said Toyota must deal with the problem "quickly based on the viewpoint of customers."

Toyota officials acknowledge the company may have made mistakes in handling customer complaints in recent months and may have angered regulators, but at this point "this is 60% political," one U.S.-based top Japanese Toyota executive said. On Tuesday, Toyota said it will recall 437,000 hybrid cars world-wide, including the Prius, to fix the brake-system problems as the company tries to tackle the latest in a series of recalls that have dented its reputation for reliability.

The cars affected, in addition to the Prius, include the Prius Plug-In Hybrid, the Toyota Sai and the Lexus HS250h. In the U.S., Toyota is recalling about 133,000 2010 Prius cars and 14,500 2010 HS250h cars.

In Japan, Toyota will recall 223,000 hybrid vehicles, while the number should total 52,900 vehicles in Europe. The global Prius recall follows a recall of about eight million vehicles to correct problems linked to sudden acceleration, which Toyota has blamed on improperly installed floor mats that are prone to jam the accelerator pedals, as well as sticky accelerator pedals.

At the same press conference Tuesday, Toyota President Akio Toyoda said he is preparing to travel to the U.S. to "rally" the company's employees and parts suppliers engaged in the recalls and to "explain the situation" to American regulators in his "own words."

Mr. Toyoda said he never believed the company was almighty or infallible and it had always tried to repair defects swiftly. "Let me assure everyone we will redouble our commitment to quality as a lifeline of our company," the grandson of the company's founder said.

Toyota's quality chief, Mr. Sasaki, said the recalls have prompted soul-searching at the company about its process of checking reliability and how it mines and analyzes consumer feedback, particularly user complaints about its vehicles.

Mr. Sasaki said the company, among other things, will try to check the reliability of individual components with respect to how they perform as a whole inside the car under different climate conditions, taking into consideration factors like humidity and temperatures.

With the recalled hybrid cars, Mr. Sasaki said Toyota is responding to what some consumers characterized as the "inconsistent brake feel" when braking at low speeds on bumpy or slick road surfaces.

Under those conditions, the antilock brake system, or ABS, can be activated and release the brakes momentarily in an effort to react to what the system thinks is tire slippage, in order to maintain tire traction.

According to a senior Toyota engineer, when that happens, the ABS can "kick in a tad stronger and stay kicked in a bit longer than some consumers would like."

The company said Tuesday it so far has received 84 complaints on the brake systems of the recalled hybrid cars through its dealers, though they haven't been blamed for any injuries or fatalities.

The U.S. National Highway Traffic Safety Administration on Thursday said it had opened a "preliminary evaluation" of the 2010 Prius after receiving 124 owner complaints about braking problems, including four accidents. Toyota said it will cooperate with the investigation.

A running fix aimed at improving the ABS system's response time, as well as the system's overall sensitivity to tire slippage, was introduced late last month. Dealers have been rendering the fix—new software—to customers on an ad hoc basis, altering the system for consumers who came to dealers to complain. All Prius cars produced since late January have the new software.

Sticking gas pedals aren't root of crashes

By Kate Linebaugh
And Matthew Dolan

Government regulators now believe that more than a third of the vehicles involved in a massive recall at **Toyota Motor** Corp. have no apparent connection to uncontrolled acceleration linked to hundreds of reports of serious crashes and more than a dozen fatal accidents.

The gas pedals in question get stuck only at low speeds close to idle, according to **CTS** Corp., the Indiana-based maker of the pedals. A federal official who was briefed on the matter confirmed the problem occurs when vehicles are moving at low speeds and isn't believed to make cars accelerate out of control.

Under pressure from federal regulators last month, Toyota recalled 2.3 million vehicles in the U.S. whose accelerators can get stuck and remain depressed even after drivers let up on the pedal. The car maker also had to stop sales of its best-selling models in the U.S., and followed with recalls in Europe, Russia and China.

Toyota earlier recalled millions of vehicles for bulky floor mats that can pin the gas pedals and cause the vehicles to speed up. That problem is believed to be the cause in some fatal accidents.

Some safety advocates believe the problem also could be caused by an electronic malfunction. Toyota says it has found no evidence of electronics problems.

The sticking pedals have occurred in fewer than 20 cases and have never been linked to any accidents, said Donna Belusar, CTS's chief financial officer, in an email.

The National Highway Traffic Safety Administration confirmed it hasn't found any accidents that seem to have been caused by sticky gas pedals.

"Even if a CTS pedal could become stuck, the spring force would return the pedal most of the way back to idle," Ms. Belusar wrote in answer to questions. "A stuck pedal would at most cause a vehicle to experience near-idle [revolutions per minute] levels, resulting in lower vehicle speed."

Toyota officials told congressional staffers at a meeting last month that "sticking accelerator pedals are unlikely to be responsible for the sensational stories of drivers losing control over acceleration as their cars race to 60 miles per hour or higher," wrote Rep. Henry A. Waxman (D., Calif.), and Rep. Bart Stupak (D., Mich.) in a letter to Toyota they made public.

Toyota's top-ranking executive in the U.S., Yoshimi Inaba, is scheduled to testify before Congress on Wednesday, and is likely to be asked about both the floor mat and sticking-pedal issues.

Last month, when Toyota issued the pedal recall, the company said the pedal can "become harder to depress, slower to return or, in the worst case, stuck in a partially depressed position."

"The sticky accelerator is definitely a distraction and may not be the whole story," said Rebecca Lindland, an automotive analyst at IHS Global Insight.

CORPORATE NEWS

Deal boosts carbon trading in China

Pioneering transaction between Citigroup, Russia's Gazprom could pave the way for bigger nationwide market

By Shai Oster

BEIJING – **Citigroup** Inc. and OAO Gazprom closed a small but pioneering deal in China that could lay the foundation for a bigger nationwide market in carbon trading.

Under the deal, the U.S. bank and the Russian gas giant bought energy-intensity credits from three Tianjin heating utilities that had outperformed efficiency targets set by the port city near Beijing. Worth a mere 500,000 yuan, or $73,250, the energy savings were packaged as carbon-emissions allowances that could be sold on to other utilities or buildings in the city that can't make this year's municipal goals.

"We see this as a start for building a fully implemented carbon-intensity market in China. This is a transaction that has a lot of thinking and systems and rules in place behind it," said John Shi, chief executive officer for carbon-credit broker Arreon Carbon, which worked on the deal along with the Tianjin government and the Tianjin Climate Exchange, a joint venture with state-owned energy giant **China National Petroleum** Corp. and the Chicago Climate Exchange, owned by **Climate Exchange** PLC.

The deal's architects said that they want to use cap-and-trade schemes as part of China's energy- and carbon-intensity targets. China has a nationwide goal of reducing energy intensity, or the amount of energy used relative to economic output, by 20% by 2010 from 2005. And China has pledged to slow down the speed of its growing carbon emissions by 40% to 45% from 2005 levels by 2020. Since coal is China's primary energy source, carbon emissions are closely related to its energy use. China has rejected absolute national caps in international climate talks, but some cities are moving more aggressively.

Associated Press

Backdropped by the cooling towers of a coal-fired power plant in Dadong, China, a worker takes a smoking break.

Cap-and-trade systems have been used before, such as to lower sulfur-dioxide emissions in the U.S. Coal-fired power plants were given an emissions limit and could sell off any excess quota to other power plants that couldn't meet the standards.

Other Chinese cities have established carbon exchanges. But so far, there is no legal basis for trading carbon, and Tianjin appears to be taking the lead in attracting high-profile investors such as Citigroup, Gazprom and CNPC.

In China, the few pilot projects using markets to reduce emissions have had mixed results. For example, pilot sulfur-emissions exchanges never expanded and were less effective than government orders mandating power plants install scrubbers on their smokestacks.

But Mr. Shi thinks there's room to target a type of carbon-emissions trading focused on China's buildings, which alone account for 40% of China's energy use.

In Tianjin's case, the city has thrown its support behind the idea. All the city's residential, office and government offices and the utilities that sell district heating were ordered to increase energy efficiency, something that can be relatively easily measured from electricity, heating bills or fuel consumption. The idea is that more-energy-efficient utilities or buildings could sell the credits to less-efficient ones. The tallying of energy use will provide an indirect measure of carbon emissions: The less coal the buildings burn, the less carbon they will emit.

It's unclear whether Gazprom and Citigroup will find buyers for the credits just purchased, because the heating season is almost over. But Mr. Shi said Tianjin is working on rolling out the project next year using carbon-intensity limits that will be imposed citywide and is coming up with building standards.

After failed merger, Suntory offers plan

By Hiroyuki Kachi

TOKYO—A day after scrapping a merger plan that would have resulted in the creation of one of the world's largest brewers, **Suntory** Ltd. said it aimed to boost group sales 30% to 2 trillion yen ($22.4 billion) within three years and double overseas sales to 500 billion yen.

"We are going along a new path," said Suntory President Nobutada Saji, grandson of the company's founder.

A Suntory executive said the company can generate cash flow totaling 80 billion yen to 90 billion yen per year, which he said is sufficient to drive its growth strategy for now.

Suntory and **Kirin Holdings** Co. on Monday called off plans for a merger that would have created a company with annual revenue of about 3.8 trillion yen, rivaling the world's leading brewer, **Anheuser-Busch InBev** NV, in terms of sales.

Suntory indicated the merger collapse increased the chances it will look for other alliance partners. Last year, Suntory completed a $3.3 billion acquisition of the closely held European beverage maker **Orangina Schweppes** Group.

Mr. Saji said Suntory isn't currently considering a share listing but said it would be an option if the company needed to raise funds for its growth strategy.

Managing director Kozo Chiji said Suntory can generate cash flow totaling 80 billion yen to 90 billion yen per year, which he said is sufficient to drive its growth strategy for now, including possible mergers and acquisitions.

Separately Tuesday, Suntory reported record-high sales and profits for the year ended Dec. 31. Net profit grew 1.9% to 32.67 billion yen from 32.07 billion yen a year earlier.

Suntory said its main-line operations performed well, thanks to strong sales of liquor and to cost-cutting.

Group sales grew 2.5% to 1.551 trillion yen. Operating profit rose 2.8% to 83.54 billion yen.

For the current year, Suntory is predicting group net profit will grow 22% to 40 billion yen, with an operating profit of 103 billion yen, up 23%.

Sales for the current year are pegged at 1.743 trillion yen, rising 12%, due to last year's acquisition of Orangina Schweppes.

Established in 1899, Osaka-based Suntory produces well-known whisky brands such as Yamazaki. But it has been diversifying into food and health-related areas to expand its revenue sources. The company said that being unlisted has given it the space it needs for radical overhauls without worrying about short-term earnings or share prices.

MARKETS

Sants to leave FSA post by summer

Departure is in line with his timetable, but could add to sense that agency is doomed if new government is elected

By Alistair MacDonald And Sara Schaefer Muñoz

Hector Sants submitted his resignation Tuesday as chief executive of the U.K. Financial Services Authority, the regulator that he led through the credit crisis but which faces an uncertain political future.

Mr. Sants took over in July 2007 just as the financial crisis was starting, with plans to stay three years. "I intend to stick to that timetable," Mr. Sants said in a statement Tuesday.

Mr. Sants will step down this summer, not long after a general election in which the current favorites to win, the Conservative Party, have said they will dismantle the agency and split its powers between the Bank of England and a new consumer-finance champion. Mr. Sants has been critical of the proposals, saying they will lead to disruption.

Some FSA officials have complained that the Tory proposals run the risk of prematurely rendering the agency a lame duck. The departure of Mr. Sants is likely to hasten a sense that the agency is doomed.

Mr. Sants was head of the regulator's wholesale-markets division before becoming CEO. He was one of the last senior FSA executives remaining from a period in which the regulator propounded its now-discredited "light touch" and "principles-based" regulation.

Hector Sants

Critics say this system, with its emphasis on companies following broad principles rather than exact rules, made Britain vulnerable to the financial crisis. The FSA has admitted that it had made mistakes in regulating banks like Northern Rock, the mortgage lender that triggered the U.K.'s first bank run in centuries in 2007, when it was forced to turn to the Bank of England for cash.

In recent years, Mr. Sants has helped drive changes at the regulator, requiring some of the country's largest banks to provide it with weekly disclosures on risk and performance, compared with the monthly, or even quarterly, requests of old.

Under Mr. Sants's direction, the FSA beefed up its staff of supervisors, hiring about 280 people, and levied more fines.

It also unveiled proposals for banks' pay practices, designed to minimize risk-taking, on his watch. One of Mr. Sants's most controversial moves has been proposals that require banks to hold more capital against potential losses, which the banking sector complains would crimp lending.

"I believe the FSA candidly examined the failings in financial regulation that contributed to the onset of the crisis, learned the lessons and has gone on to reform itself into a much stronger and better-equipped organization," Mr. Sants said.

A former head of Credit Suisse AG's European investment-banking operation, Mr. Sants joined the FSA in 2004 as its head of wholesale and institutional markets.

Under Mr. Sants's watch, the wholesale-markets division fined Citigroup £13.96 million ($21.78 million) for a controversial multibillion-euro bond trade in 2005.

NYSE Euronext sees hope from Europe regulators

By Jacob Bunge

The head of **NYSE Euronext** said a planned overhaul of Europe's share-trading regime could ease the competition faced by the transatlantic exchange operator.

The company's European bourses have lost share and been forced to cut prices amid a wave of new entrants unleashed by the partial deregulation of equity trading in 2007, but Chief Executive Officer Duncan Niederauer said he expected this year's review of the European Union's Markets in Financial Instruments Directive, or Mifid, to level the playing field. "We're expecting the regulators will even out [the] regulatory burdens that everybody has," Mr. Niederauer said after the company reported a $172 million fourth-quarter profit, beating expectations.

Its shares were up 5.5% at $23.74 midday Tuesday in New York.

The company's market-share losses in equity trading abated on both sides of the Atlantic in the final quarter. Chief Financial Officer Michael Geltzeiler said a revised regime could slow the incursion of multilateral trading facilities, or MTFs.

Mr. Niederauer said the shift towards MTFs had left some regulators "uneasy" as some operated in multiple countries with a single overseer. This allows MTFs to maintain a smaller compliance staff with fewer surveillance responsibilities, but leaves some national regulators with limited oversight for platforms that trade stocks listed in their countries, he said.

Bloomberg News

Duncan Niederauer, center in this January 2009 photo, said he expects new regulations to level the playing field.

NYSE Euronext's European arm has seen companies like Chi-X and BATS Europe eat into its core markets. The platforms' share of trading in stocks included in Paris's CAC 40 index has risen to 24% from 6% over the past two years, according to an Equity Research Desk analysis.

While European regulators seek a level global playing field, Mr. Niederauer said a proposal by the Obama administration to limit banks' proprietary trading activities is not likely to deal a major blow to on-exchange cash equity volumes, as most business is tied to trading by banks' clients, rather than banks themselves.

"Having spent most of my career on that side of the business, I can say an overwhelming amount of the business is done in customer facilitation," said Mr. Niederauer, who headed equity execution services at Goldman Sachs Group Inc. before joining NYSE Euronext.

The CEO also said a joint clearing venture between NYSE Euronext and the **Depository Trust and Clearing** Corp. is expected to be running by July or August. The facility, New York Portfolio Clearing, will underpin a new push into fixed-income derivatives to be traded on NYSE Liffe US, the exchange operator's U.S. futures arm.

The $172 million profit in the three months to Dec. 31 represents a turnaround after impairment charges led to a year-earlier loss of $1.34 billion.

Earnings per share improved for the third quarter in a row, rising to 66 cents from a year-ago loss of $5.06, well ahead of the 48-cent Wall Street consensus.

Expense management has been crucial for the exchange sector, which has a large fixed-cost base. NYSE Euronext is gaining traction after initial problems in integrating its legacy NYSE Group and Euronext NV after their 2007 merger. Comparable costs fell 16% in the final quarter, while net revenue fell 6% in the fourth quarter to $640 million.

The company has cut jobs and other expenses to counter a drop in trading volume and fees, and expects to realize the full value of its restructuring efforts in 2010.

Net revenue from derivatives was up 21 % year on year, though it dipped 1% from the prior quarter. Revenue from global cash markets fell 38% in the quarter from a year earlier.

—Doug Cameron contributed to this article.

Macquarie expects bigger profit, but market is unimpressed

By Cynthia Koons

SYDNEY—**Macquarie Group** Ltd. said Tuesday that its second-half profit could be 10% higher than its first-half result, bringing guidance closer to analysts' forecasts but not quite meeting expectations.

Previously, the group said profit for the second half ending March 31 would be in line with the first-half profit of 479 million Australian dollars ($414.1 million). Management said that still could be the case given market uncertainty, swing factors and one-time items that could affect the results.

"It's strange wording, but it shows how much can change between now and the end of March," one analyst said after the briefing.

Analysts had been expecting Macquarie to raise the guidance at a briefing on its operations Tuesday. An analyst from a major brokerage firm said before the briefing that the average forecast had factored in a 15% rise in profit from the first half to the second.

The group didn't offer guidance for fiscal 2011, which begins in April. An analyst from a second major firm said investors were hoping for some bullish commentary about the upcoming fiscal year to justify what had been a rising share price up until this point.

The result didn't appear to appease investors. The group's shares, which had risen 4% since the start of the year despite a 7% decline in the overall market, fell 6.1% to A$47.28, compared with a 0.4% decline in the overall market.

The operational briefing didn't provide much detail into how the group is performing in its individual lines of business, the analyst speaking after the briefing said.

Macquarie's management said the strength of market conditions in the first half has moderated in areas such as Australian capital markets and the credit businesses.

Macquarie is a holding company that provides banking, financial, advisory, investment and funds management services through its subsidiaries. In recent months, it has taken steps to distance itself from the lso-called listed-funds model it pioneered over the last 15 years.

Instead, it is trying to expand further in the U.S. and Europe, reshaping itself into a trading and advisory business.

Chief Executive Nicholas Moore said it was difficult to offer insight into Macquarie's prospects for improving returns on equity, given uncertainty around how much capital banks should hold.

In the 10 years to March 2009, the average ROE was 23.2% at Macquarie, more than double that of a group of global peers.

DAILY SHARE PRICE

Macquarie Group

Tuesday's close: A$47.28, down 6.1%

Source: Thomson Reuters Datastream

Pound has woes of its own

With spotlight on euro, U.K.'s deficits and election jitters weigh on sterling

By Neil Shah

While experts debate the fate of Europe's crisis-racked currency, it appears the British pound may be heading for its own little nightmare.

Fears that Greece's debt problems would infect other European countries hammered the value of the euro last week by 1.4% against the dollar to $1.3665. But the British pound fell 2.2% against the greenback to $1.5631, the lowest level since last May. The U.K. currency even weakened slightly against the euro, suggesting traders are more worried about Britain and its recession-battered finances.

Tuesday, sterling and the euro got a lift from speculation that European policy makers may find a way to bail out Greece's economy at a European Union meeting this week. At midday in New York, one British pound bought $1.5678, compared with $1.5599 on Monday, while the euro advanced to $1.3796 from $1.3660.

Meanwhile, the euro strengthened to 122.68 yen from 121.99 yen. The dollar moved to 89.37 yen from 89.30 yen and weakened to 1.0676 Swiss francs from 1.0725 francs.

There are several reasons to worry about the pound. The first is Britain's election, which must be held by June 3. Recent opinion polls suggest Britain's opposition Conservative Party may only narrowly beat Prime Minister Gordon Brown's incumbent Labour Party. That could bring Britain's first "hung" Parliament since 1974. In such a scenario, the winning party fails to secure a dominant majority in Parliament and struggles to pass legislation.

Bloomberg News

The British pound last week traded at the lowest level since May.

Political gridlock would come at a particularly bad time for Britain, which has one of the biggest government budget deficits in the industrialized world, at 12.6% of gross domestic product. One risk is that the winning party opts to consolidate its support by holding new elections, putting off needed fiscal changes. Such maneuvers could cost Britain its triple-A credit rating and spark a sell-off in pound-denominated assets as international investors move their cash elsewhere.

A second problem is the U.K.'s moribund economy, which barely crawled out of recession late last year. Such weakness is likely to make it hard for the Bank of England to raise interest rates.

"People are starting to re-evaluate the pound," says Simon Derrick, a currency analyst at Bank of New York Mellon in London. "The thing that has worried us is what a hung Parliament would do." Mr. Derrick says sterling could fall below $1.50 as the election nears. (Though that would still be shy of its recent low of $1.3747 last March.)

Few analysts expect Britain to suffer the kind of financing fears currently plaguing Greece. Indeed, the U.K. Treasury's debt managers successfully sold £2 billion ($3.12 billion) of new government long-term bonds to investors on Tuesday. Britain's debt burden—as opposed to its annual budget deficit—isn't in the same ballpark as Greece's. And unlike the 16 nations in the euro bloc, the U.K. has its own currency, which means it can simply print money to pay off debt, though such a strategy can have its own costs in terms of potential inflation and concomitant higher interest rates.

Pressure on the U.K. pound also could come from outside Britain.

Analysts say the U.S. dollar could strengthen as the U.S. economic recovery picks up steam and brings forward the moment when the Federal Reserve starts raising interest rates. A full-fledged European debt crisis, meanwhile, would likely drag the pound lower against the dollar.

To be sure, members of Parliament may find a way to get along even in a hung Parliament. All three leading parties have emphasized the need to fix Britain's finances.

Intel executive pleads guilty in Galleon case

By David Benoit

NEW YORK—Rajiv Goel, a former **Intel** Corp. manager, pleaded guilty to securities fraud and admitted to feeding information about Intel earnings and investments to **Galleon Group** founder Raj Rajaratnam, who was described by Mr. Goel as a good friend.

Appearing in U.S. District Court on Monday, Mr. Goel admitted giving Mr. Rajaratnam material information about Intel's earnings and its investment in **Clearwire** Corp., and said that, over the course of their 25-year friendship, Mr. Rajaratnam occasionally asked for information about Intel and that Mr. Goel occasionally gave him information.

Mr. Goel pleaded guilty to securities fraud and conspiracy to commit securities fraud before Judge Alvin K. Hellerstein in Manhattan.

Mr. Goel, who was arrested in October, is now cooperating with prosecutors in the probe against Mr. Rajaratnam and others.

Prosecutors have alleged that Mr. Rajaratnam was at the center of a major insider-trading ring that generated millions of dollars in improper trades. Mr. Rajaratnam has denied wrongdoing.

Prosecutors alleged Mr. Goel obtained inside information in March 2008 regarding an investment into Clearwire and gave that information to Mr. Rajaratnam, who caused a Galleon fund to trade on it.

UBS posts profit, but clients still exit

By Deborah Ball

ZURICH—**UBS** AG reported its first quarterly profit in more than a year, but its key private-banking business continued to hemorrhage wealthy clients spooked by assaults on Switzerland's bank secrecy and lingering doubts about the Swiss bank's financial health.

UBS swung to a profit of 1.21 billion Swiss francs ($1.13 billion) in the fourth quarter, from a loss of 9.56 billion francs the year earlier, boosted by a tax credit and aggressive cost-cutting. It was UBS's first profitable quarter since Chief Executive Oswald Grübel arrived a year ago aiming to turn around a bank that was among the hardest hit by the financial crisis.

While the headline profit marks a milestone in UBS's turnaround, the company is struggling to stabilize its huge private bank. Its wealth-management and Swiss bank unit saw outflows of 33.2 billion Swiss francs, compared with 16.7 billion francs for the third quarter of 2009, far more than analysts had expected. The exodus stemmed from the loss of many UBS private bankers who quit and took their clients elsewhere. Another factor is a tax amnesty in Italy that resulted in many account holders transferring money back home.

For the full year, UBS lost 2.74 billion francs, compared to a loss of 21.29 billion francs for 2008.UBS will pay about 2.9 billion francs in cash bonuses for 2009, up 34% from 2008. Amid a global controversy over bank bonuses, UBS has increased fixed salaries, pegged bonuses to longer-term performance and paid out more of the bonuses in shares rather than cash. But as banking compensation rises again, UBS has had to offer competitive pay packages as it rebuilds its business. Mr. Grübel will take no bonus for 2009.

UBS's private bank has been hit by a battle with U.S. authorities, who accused the bank of helping U.S. citizens avoid taxes by setting up secret accounts. Last August, the Swiss government settled the case with the U.S. by agreeing to hand over the details of 4,450 UBS accounts. UBS management hoped the settlement would help restore client trust and stem the outflows. However, last month a Swiss court decision blocked Bern from handing over the names, raising doubts about the settlement.

Moreover, German officials are considering paying informants for the names of tax evaders with accounts in Switzerland, sparking a renewed assault on Swiss banking secrecy. UBS reiterated Tuesday that it doesn't know if UBS client data are among the records.

UBS said that "in the immediate future, [it] still expects to report outflows," although management is hopeful that the fourth-quarter profit will help its bankers deflect a major worry raised by many clients.

"We were desperately keen to report a profit so that clients would regain their confidence," said Chief Financial Officer John Cryan.

ASIA
Boao Forum For Asia Annual Conference 2010
April 9-11 2010 Boao, Hainan Province, China
A Meeting of the Minds,
A Dialog for the Tomorrow of Asia
Green Recovery:
Asia's Realistic Choice for Sustainable Growth
绿色复苏：亚洲可持续发展的现实选择
• Capital Market: Financing the Transformation of Asian Economies
• Breakfast Session: Medical Reform in China
"Green Recovery: Asia's Realistic Choice for Sustainable Growth"
• From G8 to G20: New Architecture, New Rules, New Players
• Rethinking Growth
• Luncheon Session: Trade Protectionism – A Real Threat to Recovery
• Merger & Acquisition: Ideal vs. Reality
• Counter-Cyclical Strategies: Thinking Ahead
• Low-Carbon Energy: Can Asia Lead the World?
• Move to Consumption – Asian Style
• Business Environment: Nothing as Usual after the Crisis?
• Deregulation: Unleashing the Power of the Private Sector
• Redefine the Role of Real Estate
• Breakfast Session: Alternative Investments in Asia
• From Chiang Mai Initiative (CMI) to Asian Monetary Fund (AMF)
• Emerging Markets: Time to Turn to One another
• 21st Century Finance, 21st Century Regulation
• Corporate Governance: Learning Lessons from the Crisis
• Luncheon Session: Copenhagen – for the Future of the Earth
• Greater China Roundtable
• Boao TV Debate: Asian Economy 2010
Sponsors & Partners
VOLVO
sabic
FMG
Bank of America
Merrill Lynch
EVONIK
TATA
BUICK
腾讯网
SK
Deloitte.
verax
新财富
Bloomberg
CNBC
THE WALL STREET JOURNAL.
CHINA DAILY
For Further Information, Please Contact BFA Secretariat.
Tel: 86-10-6505 7377 Fax: 86-10-6505 1833 Email: bfa@boaoforum.org www.boaoforum.org

MARKETS

Treasurys fall; 3-year note draws strong foreign bids

By Deborah Lynn Blumberg

NEW YORK—Treasurys fell early Tuesday afternoon as reports of possible financial aid to debt-ridden Greece lifted market sentiment and encouraged investors to buy riskier assets while selling low-risk government debt.

U.S. CREDIT MARKETS

Meanwhile, the sale of three-year notes came in at a yield of 1.377%, compared with 1.357% just before the 1 p.m. auction.

The auction enticed a strong foreign bid but the total bid-to-cover was below recent average on a day when riskier assets, especially the U.S. stocks, were rallying.

The bid-to-cover ratio was 2.83, compared with 2.98 in both January and December. The average is 3.01 from the past four auctions. The indirect bid was 51% and the direct bid was 10%.

The $40 billion auction was the first of three this week as the government sells $81 billion in notes.

As of 12:22 p.m., the two-year note was down 3/32 to 100 3/32 to yield 0.827%, and the 10-year note was down 8/32 to 97 31/32 to yield 3.623%. Bond prices move inversely to yields.

Treasury auctions have continued to see healthy demand in the new year.

Manulife Global Fund

Important:Suspension of Dealings of Manulife Global Fund - Taiwan Equity Fund

In the light that the Taiwan Stock Exchange (the "Exchange") will be closed for trading starting from February 11, 2010 to February 19, 2010 (both days inclusive) according to the holiday schedule of the Exchange, the Board of Manulife Global Fund (the "Company") decided to suspend valuation and dealing of Manulife Global Fund - Taiwan Equity Fund (the "Fund") from February 11, 2010 (Thursday) to February 19, 2010 (Friday) (both days inclusive).

Pursuant to the Prospectus of the Company, the Company may suspend valuation and dealing of each fund in the circumstance of closure of, or suspension of, or restriction of trading on any stock exchange or other market on which a substantial proportion of the relevant investments are quoted.

All instructions in respect of subscription, redemption and switching of shares of the Fund submitted during the period between February 11, 2010 and February 19, 2010 (both days inclusive) will be processed after resumption of valuation and dealing. During the suspension, Shareholder may withdraw his request in respect of any shares not issued, redeemed or switched.

The Fund will resume valuation and dealing on February 22, 2010 (Monday).

For further information about the matters please contact the Administrator of the Company, Citibank International plc (Luxembourg Branch) at telephone number (352) 45 14 14 258 or fax number (352) 45 14 14 332 or the Hong Kong Distributor, Manulife Asset Management (Hong Kong) Limited, at telephone number (852) 2108 1110 or fax number (852) 2810 9510 at any time during normal business hours.

For and on behalf of the Board
February 10, 2010

Mongolian leader sees delays for dual listings

By Ellen Sheng

ULAN BATOR, Mongolia—Initial public offerings of Mongolia's state-owned mineral assets could take more time, as the government works on upgrading the stock exchange to facilitate dual listings, Prime Minister Sukhbaatar Batbold said.

IPO FOCUS

"We'd prefer to list [companies] in Mongolia first, but it may take more time than we expected to list on the local exchange because things are not running properly in terms of infrastructure and management and real-time functions," Mr. Batbold said in an interview Tuesday.

Mr. Batbold would like to see dual listings of Mongolian assets, with companies offering shares on exchanges such as Hong Kong, London or New York as well as on the **Mongolian Stock Exchange**. State-owned companies up for listing include **Erdenes MGL** LLC, which owns licenses for the Tavan Tolgoi coal mine as well as other mineral deposits; **Erdenet Mining** Corp. and **Mongolian Airlines**, also known as MIAT.

The government is hiring managers with international experience for the exchange, he said. Among the issues that need to be addressed is establishing regulatory standards that are in line with international rules.

The prime minister said he would also like foreign companies that hold Mongolian assets and are listed abroad to list a 10% stake on the local exchange.

Companies with Mongolian assets that are listed overseas include **SouthGobi Energy Resources** Ltd., which listed on the Hong Kong stock exchange last week, as well as **Mongolia Energy** Corp., also listed in Hong Kong.

"There's a big discrepancy between the Mongolian stock exchange, which lists about 200 companies with a total market capitalization of about US$450 million, and companies that list abroad," said Alisher Ali Sjumanov, chief executive officer of Eurasia Capital.

"Even if just a few companies [of those listed abroad] list, this will be a big boost to local capital," he said.

FUND SCORECARD

Asia Balanced

funds have a mandate to balance equity and bond investments for an Asia-based investor. The equity component does not exceed 75% in the normal running of the fund. Ranked on % total return (dividends reinvested) in U.S. dollars for one year ending February 09, 2010

Leading 15 Performers

FUND RATING *	FUND NAME	FUND MGM'T CO.	CURR.	LEGAL BASE	% Return in $US ** YTD	1-YR	2-YR	5-YR
2	**Pheim Asia ex-Japan**	Pheim Unit Trusts Berhad	MYR	Malaysia	**-5.84**	71.40	-5.60	NS
NS	**WIOF Central Asian Opportunities A**	SFM Group International S.A.	USD	Luxembrg	**1.30**	56.79	-24.97	NS
2	**AIG Acorns of Asia Balanced**	PineBridge Investments Singapore Ltd	SGD	Singapore	**-6.78**	54.24	-4.17	6.54
1	**Japan Opportunity**	IFM Independent Fund Management AG	JPY	Liechtnstn	**15.78**	52.68	-0.55	NS
4	**Capital Asia-Pacific Mega-Trend**	Capital Investment Trust Co., Ltd	TWD	Taiwan	**-6.32**	50.74	-5.48	NS
3	**PRU Asian Balanced**	Prudential Asset Mgmnt (Singapore) Ltd	SGD	Singapore	**-3.97**	44.82	-0.80	7.28
NS	**United Asia Active Allocation**	UOB Asset Management Ltd	SGD	Singapore	**-9.62**	43.79	-3.60	NS
4	**Invesco Asia Balanced A Acc**	Invesco Global Asset Management Limited	USD	Luxembrg	**-1.65**	43.29	-0.40	7.42
NS	**OSK-UOB Asia Active Allocation**	OSK-UOB Unit Trust Management Berhad	MYR	Malaysia	**-6.36**	42.20	-0.93	NS
4	**LionGlobal Singapore Balanced SGD**	Lion Global Investors Ltd	SGD	Singapore	**-4.59**	40.22	-0.51	10.59

NOTE: Changes in currency rates will affect performance and rankings.
KEY: ** 2YR and 5YR performance is annualized
NA-not available due to incomplete data;
NS-fund not in existence for entire period

Source: Morningstar, Ltd
1 Oliver's Yard, 55-71 City Road
London EC1Y 1HQ United Kingdom
www.morningstar.co.uk; **Email**: mediaservice@morningstar.com
Phone: +44 (0)203 107 0038; **Fax**: +44 (0)203 107 0001

Advertisement

INTERNATIONAL INVESTMENT FUNDS [Search by company, category or country at asia.WSJ.com/funds]

MORNINGSTAR®

Data as shown is for information purposes only. No offer is being made by Morningstar, Ltd. or this publication. Funds shown aren't registered with the U.S. Securities and Exchange Commission and aren't available for sale to United States citizens and/or residents except as noted. Prices are in local currencies. All performance figures are calculated using the most recent prices available.

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
AHW the relaxed way to invest									
■ AHW CAPITAL MANAGEMENT									
Tel (+49) 1805 - 23 82 82									
www.ahw-capital.com									
AHW Top-Div.Int.	GL	EQ	LUX	02/08	EUR	48.30	-11.6	12.7	-25.5
AllianceBernstein									
■ ALLIANCE BERNSTEIN									
www.alliancebernstein.com/investments Tel. +800 2263 8637									
Am Eq Blend A	OT	OT	LUX	02/08	USD	9.75	-6.0	23.7	-12.7
Am Eq Blend B	US	EQ	LUX	02/08	USD	9.15	-6.2	22.7	-13.5
Am Growth A	US	EQ	LUX	02/08	USD	28.80	-7.8	25.3	-3.0
Am Growth AX	US	EQ	LUX	02/08	USD	31.11	-7.7	26.0	-2.5
Am Growth B	US	EQ	LUX	02/08	USD	24.19	-7.9	24.1	-4.0
Am Growth C	US	EQ	LUX	02/08	USD	26.05	-7.8	24.8	-3.4
Am Growth I	US	EQ	LUX	02/08	USD	31.95	-7.7	26.3	-2.3
Am Income A	US	BD	LUX	02/08	USD	8.45	0.2	25.0	5.8
Am Income A2	US	BD	LUX	02/08	USD	19.21	0.9	25.6	6.0
Am Income A2	OT	OT	NA	02/08	HKD	149.28	0.9	25.6	6.0
Am Income AT	OT	OT	NA	02/08	HKD	65.59	0.8	25.6	5.9
Am Income AT	US	BD	LUX	02/08	USD	8.44	0.8	25.6	5.9
Am Income B	US	BD	LUX	02/08	USD	8.45	0.2	24.1	5.0
Am Income B2	US	BD	LUX	02/08	USD	16.54	0.8	24.6	5.2
Am Income B2	OT	OT	NA	02/08	HKD	128.53	0.8	24.6	5.2
Am Income BT	OT	OT	NA	02/08	HKD	65.98	0.4	24.1	5.0
Am Income BT	US	BD	LUX	02/08	USD	8.49	0.4	24.1	5.0
Am Income C	US	BD	LUX	02/08	USD	8.45	0.2	24.4	5.2
Am Income C2	US	BD	LUX	02/08	USD	24.61	0.9	25.1	5.5
Am Income I	US	BD	LUX	02/08	USD	8.45	0.2	25.7	6.4
Am Value A	US	EQ	LUX	02/08	USD	8.13	-4.7	12.6	-12.1
Am Value B	US	EQ	LUX	02/08	USD	7.47	-4.8	11.5	-13.0
Am Value C	US	EQ	LUX	02/08	USD	8.12	-4.8	12.0	-12.5
Am Value I	US	EQ	LUX	02/08	USD	8.75	-4.7	13.5	-11.4
Emg Mkts Debt A	GL	BD	LUX	02/08	USD	15.38	-1.2	40.6	7.4
Emg Mkts Debt A2	GL	BD	LUX	02/08	USD	20.02	-0.4	41.6	7.8
Emg Mkts Debt AT	GL	BD	LUX	02/08	USD	15.45	-1.0	40.9	7.5
Emg Mkts Debt B	GL	BD	LUX	02/08	USD	15.38	-1.2	39.4	6.4
Emg Mkts Debt B2	GL	BD	LUX	02/08	USD	19.26	-0.5	40.2	6.7
Emg Mkts Debt BT	GL	BD	LUX	02/08	USD	15.42	-1.0	39.4	6.4
Emg Mkts Debt C	GL	BD	LUX	02/08	USD	15.38	-1.2	40.1	7.0
Emg Mkts Debt C2	GL	BD	LUX	02/08	USD	19.66	-0.5	40.9	7.3
Emg Mkts Debt I	GL	BD	LUX	02/08	USD	15.38	-1.2	41.3	8.0
Emg Mkts Growth A	GL	EQ	LUX	02/08	USD	30.80	-11.1	54.3	-12.9
Emg Mkts Growth B	GL	EQ	LUX	02/08	USD	26.08	-11.2	52.8	-13.7
Emg Mkts Growth C	GL	EQ	LUX	02/08	USD	26.69	-11.2	53.7	-13.3
Emg Mkts Growth I	GL	EQ	LUX	02/08	USD	34.17	-11.0	55.5	-12.2
Eur Growth A	OT	OT	LUX	02/08	USD	9.06	-5.5	16.9	-15.0
Eur Growth A	OT	OT	LUX	02/08	EUR	6.64	-5.5	16.9	-15.0
Eur Growth B	OT	OT	LUX	02/08	EUR	5.96	-5.7	15.5	-15.9
Eur Growth B	OT	OT	LUX	02/08	USD	8.14	-5.7	15.5	-15.9
Eur Growth C	EU	EQ	LUX	02/08	EUR	5.03	-5.6	16.4	-15.4
Eur Growth I	OT	OT	LUX	02/08	USD	9.88	-5.6	17.7	-14.4
Eur Growth I	OT	OT	LUX	02/08	EUR	7.24	-5.6	17.7	-14.4
Eur Income A	OT	OT	LUX	02/08	EUR	6.69	1.4	40.7	5.8
Eur Income A	OT	OT	LUX	02/08	USD	9.13	1.4	40.7	5.8
Eur Income A2	OT	OT	LUX	02/08	EUR	13.12	1.9	41.4	5.9
Eur Income A2	OT	OT	LUX	02/08	USD	17.91	1.9	41.4	5.9
Eur Income AT	EU	BD	LUX	02/08	EUR	6.68	2.0	41.2	5.9
Eur Income B	OT	OT	LUX	02/08	EUR	6.69	1.4	40.0	5.1
Eur Income B	OT	OT	LUX	02/08	USD	9.13	1.4	40.0	5.1
Eur Income B2	OT	OT	LUX	02/08	EUR	12.20	1.9	40.4	5.2
Eur Income B2	OT	OT	LUX	02/08	USD	16.65	1.9	40.4	5.2
Eur Income BT	EU	BD	LUX	02/08	EUR	6.68	1.4	39.8	4.9
Eur Income C	OT	OT	LUX	02/08	EUR	6.69	1.4	40.2	5.3
Eur Income C	OT	OT	LUX	02/08	USD	9.13	1.4	40.2	5.3
Eur Income C2	OT	OT	LUX	02/08	EUR	13.07	1.9	40.7	5.4
Eur Income C2	OT	OT	LUX	02/08	USD	17.84	1.9	40.7	5.4
Eur Income I	OT	OT	LUX	02/08	EUR	6.69	1.4	41.3	6.3
Eur Income I	OT	OT	LUX	02/08	USD	9.13	1.4	41.3	6.3
Eur Strat Value A	OT	OT	LUX	02/08	EUR	8.01	-6.1	16.1	-17.4
Eur Strat Value A	OT	OT	LUX	02/08	USD	10.93	-6.1	16.1	-17.4
Eur Strat Value I	OT	OT	LUX	02/08	EUR	8.20	-6.2	17.0	-16.7
Eur Strat Value I	OT	OT	LUX	02/08	USD	11.19	-6.2	17.0	-16.7
Eur Value A	OT	OT	LUX	02/08	EUR	8.60	-6.5	19.4	-14.3
Eur Value A	OT	OT	LUX	02/08	USD	11.74	-6.5	19.4	-14.3
Eur Value B	OT	OT	LUX	02/08	USD	10.78	-6.6	18.3	-15.2
Eur Value B	OT	OT	LUX	02/08	EUR	7.90	-6.6	18.3	-15.2
Eur Value C	OT	OT	LUX	02/08	USD	11.34	-6.5	18.9	-14.7
Eur Value C	OT	OT	LUX	02/08	EUR	8.31	-6.5	18.9	-14.7
Eur Value I	OT	OT	LUX	02/08	USD	13.57	-6.4	20.5	-13.6
Eur Value I	OT	OT	LUX	02/08	EUR	9.94	-6.4	20.5	-13.6
Gl Balanced (Euro) A	OT	OT	LUX	02/08	USD	15.17	-3.1	18.7	-9.6
Gl Balanced (Euro) B	OT	OT	LUX	02/08	USD	14.76	-3.2	17.5	-10.5
Gl Balanced (Euro) C	OT	OT	LUX	02/08	USD	15.04	-3.2	18.4	-9.8
Gl Balanced (Euro) I	OT	OT	LUX	02/08	USD	15.45	-3.1	NS	NS
Gl Balanced A	US	BA	LUX	02/08	USD	15.72	-4.6	22.3	-9.6
Gl Balanced B	US	BA	LUX	02/08	USD	14.93	-4.7	21.1	-10.5
Gl Balanced C	OT	OT	LUX	02/08	USD	15.48	-4.7	22.0	-9.9
Gl Balanced C	OT	OT	LUX	02/08	EUR	11.34	-4.7	22.0	-9.9
Gl Balanced I	US	BA	LUX	02/08	USD	16.32	-4.5	23.3	-9.0
Gl Bond A	US	BD	LUX	02/08	USD	9.35	1.2	16.0	4.6
Gl Bond A2	US	BD	LUX	02/08	USD	16.27	1.6	16.4	4.7
Gl Bond A2	OT	OT	NA	02/08	HKD	126.44	1.6	16.4	4.7
Gl Bond AT	OT	OT	LUX	02/08	HKD	72.58	1.3	16.0	4.6
Gl Bond AT	US	BD	LUX	02/08	USD	9.34	1.3	16.0	4.6
Gl Bond B	US	BD	LUX	02/08	USD	9.35	1.2	14.9	3.6
Gl Bond B2	US	BD	LUX	02/08	USD	14.23	1.5	15.2	3.7
Gl Bond B2	OT	OT	NA	02/08	HKD	110.58	1.5	15.2	3.7
Gl Bond BT	OT	OT	LUX	02/08	HKD	72.89	1.3	15.0	3.6
Gl Bond BT	US	BD	LUX	02/08	USD	9.38	1.3	15.0	3.6
Gl Bond C	US	BD	LUX	02/08	USD	9.35	1.2	15.5	4.1
Gl Bond C2	US	BD	LUX	02/08	USD	14.11	1.6	15.9	4.3
Gl Bond I	US	BD	LUX	02/08	USD	9.35	1.2	16.5	5.2
Gl Conservative A	US	BA	LUX	02/08	USD	14.62	-1.7	16.5	-3.4
Gl Conservative A2	US	BA	LUX	02/08	USD	16.64	-1.7	16.4	-3.4
Gl Conservative B	US	BA	LUX	02/08	USD	14.60	-1.7	15.3	-4.4
Gl Conservative B2	US	BA	LUX	02/08	USD	15.80	-1.8	15.2	-4.4
Gl Conservative C	US	BA	LUX	02/08	USD	14.60	-1.7	15.9	-3.9
Gl Conservative C2	US	BA	LUX	02/08	USD	16.27	-1.8	15.9	-3.9
Gl Conservative I	US	BA	LUX	02/08	USD	14.70	-1.6	17.5	-2.7
Gl Eq Blend A	GL	EQ	LUX	02/08	USD	10.65	-8.7	24.7	-19.6
Gl Eq Blend B	GL	EQ	LUX	02/08	USD	9.98	-8.9	23.5	-20.4
Gl Eq Blend C	GL	EQ	LUX	02/08	USD	10.45	-8.8	24.1	-20.0
Gl Eq Blend I	GL	EQ	LUX	02/08	USD	11.24	-8.6	25.7	-19.0
Gl Growth A	GL	EQ	LUX	02/08	USD	38.22	-8.8	21.4	-20.7
Gl Growth B	GL	EQ	LUX	02/08	USD	31.87	-8.9	20.1	-21.4
Gl Growth C	GL	EQ	LUX	02/08	USD	36.66	-8.8	20.8	-21.0
Gl Growth I	GL	EQ	LUX	02/08	USD	42.48	-8.7	22.4	-20.0
Gl High Yield A	US	BD	LUX	02/08	USD	4.32	-0.2	54.6	5.8
Gl High Yield A2	US	BD	LUX	02/08	USD	9.32	0.6	55.6	6.0
Gl High Yield A2	OT	OT	NA	02/08	HKD	72.43	0.6	55.6	6.0
Gl High Yield AT	OT	OT	NA	02/08	HKD	33.26	0.7	55.7	5.9
Gl High Yield AT	US	BD	LUX	02/08	USD	4.28	0.7	55.7	5.9
Gl High Yield B	US	BD	LUX	02/08	USD	4.32	-0.2	52.8	4.5
Gl High Yield B2	US	BD	LUX	02/08	USD	14.96	0.5	54.1	4.9
Gl High Yield B2	OT	OT	NA	02/08	HKD	116.26	0.5	54.1	4.9
Gl High Yield BT	OT	OT	NA	02/08	HKD	33.80	-0.2	52.8	4.6
Gl High Yield BT	US	BD	LUX	02/08	USD	4.35	-0.2	52.8	4.6
Gl High Yield C	US	BD	LUX	02/08	USD	4.32	-0.2	53.8	5.2
Gl High Yield C2	US	BD	LUX	02/08	USD	13.81	0.7	55.0	5.5
Gl High Yield I	US	BD	LUX	02/08	USD	4.32	-0.2	55.5	6.4
Gl Thematic Res. A	OT	OT	LUX	02/08	USD	13.41	-9.0	57.4	-1.0
Gl Thematic Res. B	OT	OT	LUX	02/08	USD	11.72	-9.1	55.9	-2.0
Gl Thematic Res. I	OT	OT	LUX	02/08	USD	14.97	-8.9	58.6	-0.2
Gl Value A	GL	EQ	LUX	02/08	USD	10.19	-8.5	28.5	-18.6
Gl Value B	GL	EQ	LUX	02/08	USD	9.35	-8.7	27.2	-19.4
Gl Value C	GL	EQ	LUX	02/08	USD	9.89	-8.7	27.8	-19.0
Gl Value I	GL	EQ	LUX	02/08	USD	10.84	-8.5	29.4	-18.0
Greater China A	AS	EQ	LUX	02/08	USD	35.67	-10.9	40.2	-13.1
Greater China B	AS	EQ	LUX	02/08	USD	31.53	-11.0	38.8	-14.0
Greater China C	AS	EQ	LUX	02/08	USD	35.20	-10.9	39.6	-13.5
India Growth A	OT	OT	LUX	02/08	USD	117.88	-7.1	NS	NS
India Growth AX	OT	OT	LUX	02/08	USD	103.07	-7.1	78.9	-6.2
India Growth B	OT	OT	LUX	02/08	USD	123.36	-7.2	NS	NS
India Growth BX	OT	OT	LUX	02/08	USD	88.01	-7.2	77.2	-7.1
India Growth I	EA	EQ	LUX	02/08	USD	106.87	-7.0	79.7	-5.8
Int'l Health Care A	OT	EQ	LUX	02/08	USD	133.69	-2.7	13.0	-6.8
Int'l Health Care B	OT	EQ	LUX	02/08	USD	112.65	-2.8	11.8	-7.7
Int'l Health Care C	OT	EQ	LUX	02/08	USD	128.07	-2.8	12.5	-7.2
Int'l Health Care I	OT	EQ	LUX	02/08	USD	146.20	-2.7	13.9	-6.0
Int'l Technology A	OT	EQ	LUX	02/08	USD	100.86	-8.6	34.6	-6.7
Int'l Technology B	OT	EQ	LUX	02/08	USD	87.30	-8.7	33.3	-7.6
Int'l Technology C	OT	EQ	LUX	02/08	USD	97.42	-8.7	34.0	-7.1
Int'l Technology I	OT	EQ	LUX	02/08	USD	113.18	-8.5	35.7	-5.9
Japan Eq Blend A	JP	EQ	LUX	02/08	JPY	5777.00	-4.1	15.3	-18.1
Japan Eq Blend B	JP	EQ	LUX	02/08	JPY	5569.00	-4.2	14.1	-18.9
Japan Eq Blend C	JP	EQ	LUX	02/08	JPY	5682.00	-4.1	14.7	-18.5
Japan Growth A	JP	EQ	LUX	02/08	JPY	5520.00	-6.0	7.5	-19.5
Japan Growth B	JP	EQ	LUX	02/08	JPY	5321.00	-6.1	6.4	-20.3
Japan Growth C	JP	EQ	LUX	02/08	JPY	5430.00	-6.1	7.0	-19.9
Japan Strat Value A	JP	EQ	LUX	02/08	JPY	6006.00	-1.9	23.3	-17.0
Japan Strat Value B	JP	EQ	LUX	02/08	JPY	5795.00	-2.0	22.1	-17.8
Japan Strat Value C	JP	EQ	LUX	02/08	JPY	5902.00	-1.9	22.7	-17.4
Real Estate Sec. A	OT	EQ	LUX	02/08	USD	13.14	-8.4	38.2	-15.0
Real Estate Sec. B	OT	EQ	LUX	02/08	USD	12.00	-8.5	36.8	-15.8
Real Estate Sec. I	OT	EQ	LUX	02/08	USD	14.13	-8.4	39.2	-14.3
Short Mat Dollar A	US	BD	LUX	02/08	USD	7.27	0.0	13.7	-5.4
Short Mat Dollar A2	US	BD	LUX	02/08	USD	9.83	0.4	14.0	-5.3
Short Mat Dollar AT	US	BD	LUX	02/08	USD	7.26	0.1	13.7	-5.4
Short Mat Dollar B	US	BD	LUX	02/08	USD	7.27	0.0	13.2	-5.8
Short Mat Dollar B2	US	BD	LUX	02/08	USD	9.78	0.4	13.6	-5.7
Short Mat Dollar BT	OT	OT	LUX	02/08	USD	7.28	0.1	NS	-6.1
Short Mat Dollar C	US	BD	LUX	02/08	USD	7.27	0.0	13.2	-5.8
Short Mat Dollar C2	US	BD	LUX	02/08	USD	13.83	0.4	13.5	-5.7
Short Mat Dollar I	US	BD	LUX	02/08	USD	7.27	0.0	14.2	-4.9

Advertisement [ALTERNATIVE INVESTMENT FUNDS www.WSJ.com] Advertisement

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
■ ALEXANDRA INVESTMENT MANAGEMENT									
Tel: +1 212 301 1800 Fax: +1 212 301 1810									
Alexandra Convertible Bond Fund I, Ltd. (Class A)	OT	OT	VGB	12/31	USD	1691.35	74.6	74.6	NS
CREDIT PACIFIC Private Banking & Wealth Management Group									
■ CREDIT PACIFIC ASSET MANAGMENT									
www.creditpacific.com									
CPS-Master Priv Fund	GL	OT	WSM	02/05	USD	101.90	1.9	23.8	21.0
PLATINUM CAPITAL MANAGEMENT									
■ PLATINUM CAPITAL MANAGEMENT									
Tel: +44 207 024 9840, www.platinumfunds.net									
Platinm-All Star	OT	OT	CYM	11/30	USD	96.31	14.7	11.9	-12.2
Platinm-All Weather	OT	OT	USA	10/31	USD	129.92	2.4	3.2	3.8
Platinm-Dynasty	OT	OT	USA	11/30	USD	113.20	10.2	10.7	-29.6
Platinm-Emancipation	OT	OT	USA	12/31	USD	93.12	24.4	24.4	-8.6
Platinm-Equity Plus	OT	OT	USA	05/29	USD	35.02	-18.2	-63.7	-45.6
Platinm-Gbl Dividend	OT	OT	CYM	10/30	USD	60.64	29.4	15.3	-31.8
Platinm-Nordic	OT	OT	CYM	12/31	SEK	617.36	13.2	13.2	-16.2
Platinm-Premier	OT	OT	CYM	12/31	USD	21.20	-55.9	-66.0	-44.3
Platinm-Turnberry	OT	OT	USA	12/31	USD	61.28	NS	NS	-28.6
SUPERFUND									
■ SUPERFUND ASSET MANAGEMENT GMBH									
For info about open funds, contact info@superfund.com and www.superfund.com									
**Closed for New Investments*									
Superfund Cayman*	OT	OT	CYM	02/02	USD	33.22	-18.5	-60.6	-14.5
Superfund GCT USD*	GL	EQ	LUX	02/02	USD	1943.00	-11.5	-51.2	-8.8
Superfund Green Gold A (SPC)	OT	OT	CYM	02/02	USD	893.00	-7.4	-26.8	-2.8
Superfund Green Gold B (SPC)	OT	OT	CYM	02/02	USD	824.61	-11.9	-41.9	-8.9
Superfund Q-AG*	OT	OT	AUT	02/02	EUR	6043.00	-8.7	-31.6	-2.3
■ WINTON CAPITAL MANAGEMENT LTD									
Tel: +44 (0)20 7610 5350 Fax: +44 (0)20 7610 5301									
Winton Evolution EUR Cls H	OT	OT	CYM	12/31	EUR	945.08	NS	NS	NS
Winton Evolution GBP Cls G	OT	OT	CYM	12/31	GBP	949.08	NS	NS	NS
Winton Evolution USD Cls F	OT	OT	CYM	12/31	USD	1199.12	-5.4	-5.4	2.0
Winton Futures EUR Cls C	OT	OT	VGB	12/31	EUR	196.82	-4.4	-4.4	7.7
Winton Futures GBP Cls D	OT	OT	VGB	12/31	GBP	212.85	-4.1	-4.1	8.7
Winton Futures JPY Cls E	OT	OT	VGB	12/31	JPY	13885.82	-5.9	-5.9	5.0
Winton Futures USD Cls B	OT	OT	VGB	12/31	USD	699.39	-4.6	-4.6	7.4
Allianz Global Investors									
■ ALLIANZ GLOBAL INVESTORS KAPITALANLAGEGESELLSCHAFT									
Concentra AE	EU	EQ	DEU	02/09	EUR	48.23	-8.2	28.7	-8.6
Industria AE	EU	EQ	DEU	02/09	EUR	68.27	-5.1	23.7	-13.6
InternRent AE	EU	BD	DEU	02/09	EUR	37.12	5.6	3.2	10.0
■ CHARTERED ASSET MANAGEMENT PTE LTD - TEL NO: 65-6835-8866									
Fax No: 65-6835 8865, Website: www.cam.com.sg, Email: cam@cam.com.sg									
CAM-GTF Limited	AS	EQ	MUS	01/29	USD	272481.56	-0.7	107.7	7.0

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

MARKETS

Greek aid hopes propel U.S. stocks

By Donna Kardos Yesalavich And Kristina Peterson

NEW YORK—Optimism over a possible aid deal for Greece buoyed U.S. stocks.

The Dow Jones Industrial Average was up 209.59 points, or 2.1%, at 10117.96 in midday trade.

The gains were led by **Caterpillar**, which jumped 6.7%. Morgan Stanley upgraded its investment rating on the heavy-machinery company's stock.

ABREAST OF THE MARKET

Coca-Cola climbed 4.4% as strong sales of its namesake soda in developing countries pushed Coca-Cola's fourth-quarter profit up 55%.

The tech-heavy Nasdaq Composite rose 1.7% to 2162.38. The Standard & Poor's 500-share index climbed 1.9% to 1077.11.

Expectations of a Greek bailout gained weight on news that European Central Bank President Jean-Claude Trichet will leave an event in Australia to attend a key European Union meeting Thursday.

Officials have been planning this meeting of government heads for some time, and few see it as a likely forum for announcing a Greek bailout package. Yet concerns over Greece's debt load have been weighing on global stocks for weeks, and some sign of aid could ease pressure on the euro.

"It seems unlikely that the European leadership will leave Greece to fend for itself so the question is the final look of any deal or support," said Alan Gayle, senior investment strategist at RidgeWorth Investments in Richmond, Va.

Elsewhere, **Electronic Arts** dropped 9.3% after the video games maker projected a disappointing forecast for the current quarter. **NYSE Euronext** rose 6% after its earnings beat analysts' expectations.

European stocks

Speculation that the European Union is crafting an aid package for Greece sent stocks soaring in Athens.

But other markets finished broadly unmoved, as hopes for a solution to Greece's fiscal woes were offset by downbeat results from Swiss bank **UBS** and property giant **Unibail-Rodamco**.

The pan-European Dow Jones Stoxx 600 index edged up 0.1% to 239.19. UBS dropped 5.4% and Unibail-Rodamco dropped 6%, while rising metals prices boosted miners. **Xstrata** jumped 4.5%.

Banking shares surged in Athens. **Alpha Bank** soared 15% and **Piraeus Bank** jumped 12%.

Among major national indexes, the U.K. FTSE 100 index rose 0.4% to 5111.84, the German DAX index added 0.2% to 5498.26 and the French CAC-40 index firmed 0.2% to 3612.76. The Greek ASE general index added 5% to 1895.96.

Japan yields drop on strong 30-year sale

By Megumi Fujikawa

TOKYO—Japanese government-bond yields fell as strong demand at a 30-year auction helped to boost demand.

But "there lacks a clear trend for JGBs in the medium-term as players are waiting to see whether there will be a rebound [in stocks], or if they will continue to fall," said Chotaro Morita, chief strategist at Barclays Capital. A stronger stock market could dent demand for safe-haven bonds.

BOND MARKETS

The benchmark 10-year yield dropped 0.015 percentage point to 1.34%, and the yield on the 30-year issue eased 0.005 percentage point to 2.31%.

This week, "the JGB market is focused on government debt sales in the U.S., to gauge the level of demand after yields declined recently," said Deutsche Securities strategist Makoto Yamashita.

The U.S. government was to auction three-year Treasurys later Tuesday and to sell 10-year notes on Wednesday and 30-year bonds on Thursday.

Japan's government sold 549.3 billion yen ($6.15 billion) of 30-year bonds at a lowest price of 98.10, in line with traders' expectations, to yield 2.308%. The new issue carries a coupon of 2.2%, reopening the No. 31 issue sold in October and December.

Hong Kong gains 1.2%, led by banks, developers

By Colin Ng And Kate O'Keeffe

Hong Kong stocks rebounded 1.2%, as investors went bargain hunting in beaten-down Chinese banks and local property developers.

Most other Asian markets also gained, but Tokyo's Nikkei Stock Average of 225 companies edged down 0.2% to 9932.90 on continued uncertainty over sovereign debt in Europe and following an overnight drop in U.S. shares.

ASIAN-PACIFIC STOCKS

Banks, commodity producers and some cyclical-sector stocks fueled regional gains. **China Cosco Holdings** climbed 3.2% in Hong Kong, **Jiangxi Copper** rose 2% in Shanghai and **Posco** gained 1.3% in Seoul.

In Hong Kong, the Hang Seng Index rose 239.39 points to 19790.28, snapping a three-day selloff.

Property developers jumped, cheered by news that **Kerry Properties** sold 65% of a building in a luxury residential project over the weekend, offering fresh evidence of a strong property market. Among the developers, Kerry Properties rose 2.7%, **Sino Land** gained 5%, **Hang Lung Properties** gained 4.2% and **Agile Property Holdings** added 3.7%.

Locally listed Chinese banks also gained after a recent slump. **Bank of China** rose 2.8%, **Bank of Communications** climbed 2.2% and **Industrial & Commercial Bank of China** added 2%.

Retailer **Esprit Holdings** was the day's biggest blue-chip gainer, rising 5.1% after Goldman Sachs said Tuesday it has "greater confidence in the company's ability to potentially carry out fundamental improvement in the business" following a meeting with the company's management.

Cnooc climbed 3.5% on news that **Husky Energy** made its third significant gas discovery in the South China Sea.

Under a contract, Cnooc has the right to participate in any field development projects for as much as 51% working interest.

In Tokyo, exporters with relatively high exposure in Europe declined. **Mazda Motor** shed 2.2%.

Pioneer tumbled 8.6% on speculation it would issue news shares. After the market close, the company said it will issue new shares to Mitsubishi Chemical and Mitsubishi Electric.

Toyota Motor gained 2.9% in Tokyo on bargain-hunting after its sharp losses recently. At the end of trading in Tokyo, the company said it would recall about 400,000 vehicles world-wide, to resolve problems in braking systems.

In Seoul, the Kospi gained 1.1% to 9932.90. Stocks related to Kumho Asiana Group surged after its owner family offered their private wealth as collateral, helping pave the way for the group's restructuring. **Asiana Airlines** soared 14%, while **Kumho Industrial** and **Kumho Tire** each jumped 15%.

[Search by company, category or country at asia.WSJ.com/funds] INTERNATIONAL INVESTMENT FUNDS Advertisement

GAM

GAM FUND MANAGEMENT LIMITED
George's Court, 54-62 Townsend Street, Dublin 2, Ireland
Tel +353 1 609 3927 Fax +353 1 611 7941, Internet: www.gam.com

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
GAM Arbitrage Op	OT	OT	VGB	01/29	USD	1281.74	3.1	26.0	-6.3
GAM Asia Eq Hdg JPY Op	GL	EQ	VGB	02/01	JPY	14022.33	-9.7	59.1	2.5
GAM Asia Equity Hedge US	OT	OT	VGB	02/01	USD	261.70	-9.9	59.8	3.9
GAM Asia Equity USD	OT	OT	VGB	02/08	USD	577.55	-11.7	49.2	-12.0
GAM Asia-Pacific Eq USD	OT	OT	VGB	02/02	USD	1276.23	-0.5	28.0	-12.3
GAM Com Glb Bal EUR Op	US	BA	VGB	01/29	EUR	95.18	-0.9	18.6	-6.9
GAM Com Glb Bal USD Op	US	BA	VGB	01/29	USD	126.69	-0.9	18.6	-6.9
GAM Comp Glb Eq EUR Op	GL	EQ	VGB	01/29	EUR	96.36	-3.0	27.9	-12.8
GAM Comp Glb Eq USD Op	GL	EQ	VGB	01/29	USD	123.73	-3.0	27.9	-12.8
GAM Comp Glb Gr EUR Op	US	BA	VGB	01/29	EUR	85.73	-2.1	20.1	-10.4
GAM Comp Glb Gr USD Op	US	BA	VGB	01/29	USD	124.45	-2.1	20.1	-10.4
GAM CompAbsRT EUR Op	OT	OT	VGB	09/30	EUR	141.71	9.1	0.1	-6.9
GAM CompAbsRT SGD Op	OT	OT	VGB	09/30	SGD	102.21	9.2	-0.1	-8.3
GAM CompAbsRT USD Op	OT	OT	VGB	09/30	USD	845.66	9.5	0.7	-7.0
GAM Cptal Apprec Eq Inc	US	EQ	VGB	02/05	USD	233.32	-6.2	37.2	-10.9
GAM Cross Trading Inc	OT	OT	VGB	01/29	USD	463.36	-0.5	3.9	4.2
GAM Diversity CHF Op	OT	OT	VGB	01/29	CHF	93.70	-0.6	3.1	-6.1
GAM Diversity EUR Op	OT	OT	VGB	01/29	EUR	644.42	-0.6	3.8	-4.6
GAM Diversity USD 2.5XL	OT	OT	VGB	01/29	USD	77.01	-1.6	6.6	-17.7
GAM Diversity USD Op	OT	OT	VGB	01/29	USD	676.99	-0.6	3.8	-5.1
GAM Dvrsty II CHF Op	OT	OT	VGB	01/29	CHF	98.76	-0.7	2.4	-5.9
GAM Dvrsty II EUR Op	OT	OT	VGB	01/29	EUR	137.79	-0.7	3.2	-4.8
GAM Dvrsty II USD Op	OT	OT	VGB	01/29	USD	208.73	-0.7	3.0	-5.2
GAM DvrstyIII EUR Op	OT	OT	VGB	01/29	EUR	114.71	-0.7	3.1	-5.0
GAM DvrstyIII USD Op	OT	OT	VGB	01/29	USD	121.15	-0.7	3.3	-5.1
GAM Euro Eq Hdg EUR Op	EU	EQ	VGB	02/01	EUR	220.65	0.8	12.9	-2.7
GAM Euro Eq Hdg USD Op	OT	OT	VGB	02/01	USD	204.82	0.7	14.0	-1.2
GAM European Equity USD	OT	OT	VGB	02/05	USD	261.81	-10.7	23.8	-13.4
GAM GAMCO	OT	EQ	VGB	02/02	USD	796.10	-1.8	42.9	-8.4
GAM Gb EmMkts Hdg EUROp	OT	OT	VGB	02/01	EUR	97.35	-0.5	13.8	-14.8
GAM Gb EmMkts Hdg USDOp	OT	OT	VGB	02/01	USD	102.72	-0.4	14.3	-14.1
GAM Gbl Divers USD Inc.	GL	EQ	VGB	02/08	USD	243.55	1.0	35.2	-4.4
GAM Grtr China Eq Hdg Op	GL	EQ	VGB	02/01	USD	258.13	-10.0	95.3	15.1
GAM Intrst Trend II	GL	BD	VGB	01/29	USD	102.96	9.4	60.6	-4.7
GAM Intrst Trend Inc	OT	OT	VGB	01/29	USD	274.21	9.0	76.3	-2.6
GAM Japan Eq Hdg EUR Op	AS	EQ	VGB	02/01	EUR	121.44	4.1	10.8	-2.6
GAM Japan Eq Hdg USD Op	OT	OT	VGB	02/01	USD	125.40	2.8	16.4	-15.7
GAM Japan Eq Hdg YEN Open	AS	EQ	VGB	02/01	JPY	8634.94	2.7	16.7	-14.7
GAM Japan USD	JP	EQ	VGB	02/08	USD	1096.59	-0.6	17.2	-11.8
GAM Japan YEN	JP	EQ	VGB	02/08	JPY	8637.67	-2.1	18.0	-17.8
GAM Money Mkt EuroOp	EU	MM	VGB	02/05	EUR	51.14	0.0	0.1	1.5
GAM Money Mkt USD	US	MM	VGB	02/05	USD	100.01	0.1	0.0	0.7
GAM Multi-Arb EUR Op	OT	OT	VGB	01/29	EUR	111.88	0.6	0.6	-8.6
GAM Multi-Arb USD Op	OT	OT	VGB	01/29	USD	116.76	0.6	0.8	-9.0
GAM Multi-China EUR Op	OT	OT	VGB	01/29	EUR	161.24	-4.0	7.9	-6.3
GAM Multi-China USD Op	OT	OT	VGB	01/29	USD	169.83	-3.8	8.7	-6.9
GAM Multi-Emer Mkts GBP	OT	OT	VGB	01/29	GBP	129.74	-1.3	24.0	-0.2
GAM Multi-Emer Mkts USD	OT	OT	VGB	01/29	USD	642.13	-1.4	24.0	-0.7
GAM Multi-Eur EUR Op	OT	OT	VGB	01/29	EUR	267.33	-0.6	5.5	-7.0
GAM Multi-Eur II EUR Op	OT	OT	VGB	01/29	EUR	137.55	-0.6	5.5	-7.0
GAM Multi-Eur II USD Op	OT	OT	VGB	01/29	USD	112.47	-0.5	5.2	-8.1
GAM Multi-Eur USD Op	OT	OT	VGB	01/29	USD	465.05	-0.6	5.3	-8.0
GAM Multi-Nth Am EUR Special	OT	OT	VGB	01/29	EUR	133.17	-0.6	9.4	-1.6
GAM Multi-Nth Am USD Special	OT	OT	VGB	01/29	USD	216.83	-0.6	10.3	-1.8
GAM Multi-Pac EUR Op	GL	EQ	VGB	01/29	EUR	140.30	-2.2	2.0	-3.0
GAM Multi-Pac USD Op	OT	OT	VGB	01/29	USD	162.00	-2.1	2.2	-3.3
GAM Portable Dvr/S&P500	OT	OT	VGB	08/24	USD	70.11	17.7	-27.7	-22.9
GAM Selection Hdg	US	EQ	VGB	01/29	USD	2661.43	0.9	63.5	11.4
GAM Sing/Malaysia	AS	EQ	VGB	02/08	USD	2297.22	-9.0	48.9	-10.3
GAM Sterling Spe Bd Inc	OT	OT	VGB	02/01	GBP	238.93	3.9	47.8	5.1
GAM Trading EUR Inc	OT	OT	VGB	01/29	EUR	323.33	-0.6	3.4	5.3
GAM Trading USD Inc	OT	OT	VGB	01/29	USD	967.86	-0.5	3.7	4.7
GAM Trdg II IncEUR Op	OT	OT	VGB	01/29	EUR	138.29	-0.6	3.2	5.2
GAM Trdg II IncUSD Op	OT	OT	VGB	01/29	USD	314.27	-0.5	3.8	4.7
GAM Trdg IV IncEUR Op	OT	OT	VGB	01/29	EUR	145.89	-0.6	3.0	4.9
GAM Trdg IV IncUSD Op	OT	OT	VGB	01/29	USD	153.64	-0.6	3.5	4.5
GAM Trdg V IncEUR Op	OT	OT	VGB	01/29	EUR	123.71	-0.6	3.0	4.8
GAM Trdg V IncUSD Op	OT	OT	VGB	01/29	USD	128.91	-0.5	3.4	4.5
GAM TrdgIII IncEUR Op	OT	OT	VGB	01/29	EUR	156.01	-0.6	3.1	5.0
GAM TrdgIII IncUSD Op	OT	OT	VGB	01/29	USD	161.61	-0.6	3.5	4.6
GAM USDSpecBondInc	US	BD	VGB	02/01	USD	556.65	5.0	81.7	8.9
GAM Worldwide	GL	EQ	VGB	02/05	USD	2033.70	-8.6	28.3	-10.6
GAMut Investments	OT	OT	VGB	02/03	USD	7617.96	0.5	1.7	7.3

GAM Star Fund Plc

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
GAMStar-AsEqCHF Ord Ac	AS	EQ	IRL	02/05	CHF	10.20	-7.6	39.0	-13.8
GAMStar-AsEqEUR Ord Ac	AS	EQ	IRL	02/05	EUR	11.14	-6.5	44.3	-8.8
GAMStar-AsEqGBP Ord Ac	AS	EQ	IRL	02/05	GBP	1.45	-7.8	44.2	-1.3
GAMStar-AsEqUSD Ord Ac	AS	EQ	IRL	02/05	USD	11.98	-10.7	54.8	-11.6
GAMStar-AsPacEqEUR Acc	AS	EQ	IRL	02/08	EUR	100.07	-0.3	20.5	-11.0
GAMStar-AsPacEqEUR Inc	AS	EQ	IRL	02/05	EUR	97.59	-0.3	20.5	-11.0
GAMStar-ContEurEqEUR Ac	EU	EQ	IRL	02/08	EUR	10.35	-6.3	20.0	-7.6
GAMStar-EurpEqEUR Acc	EU	EQ	IRL	02/08	EUR	171.89	-6.3	17.7	-10.5
GAMStar-EurpEqEUR Inc	EU	EQ	IRL	02/05	EUR	156.76	-6.3	17.6	-10.5
GAMStar-EurpEqUSD Acc	EU	EQ	IRL	02/08	USD	14.30	-10.5	26.0	-13.3
GAMStar-EurpEqUSD Inc	EU	EQ	IRL	02/08	USD	12.97	-10.5	26.0	-13.3
GAMStar-FrontierOppUSD Acc	GL	EQ	IRL	02/05	USD	5.47	-0.3	40.2	NS
GAMStar-JpnEq EUR Acc	JP	EQ	IRL	02/08	EUR	90.00	2.3	14.1	-7.4
GAMStar-JpnEq EUR Inc	JP	EQ	IRL	02/08	EUR	90.00	2.3	14.1	-7.4
GAMStar-JpnEq JPY Acc	JP	EQ	IRL	02/08	JPY	902.56	-2.0	17.8	-17.5
GAMStar-JpnEq USD Acc	JP	EQ	IRL	02/08	USD	11.08	-0.3	16.5	-11.7
GAMStar-World EqUSD Acc	GL	EQ	IRL	02/05	USD	2049.25	-8.4	29.4	-10.1

LIST YOUR FUNDS

In print & online. Contact:
carson.wong@dowjones.com

THE WALL STREET JOURNAL. ASIA
PRINT • ONLINE • MOBILE

Manulife WEALTH MANAGEMENT 宏利財富管理

MANULIFE ASSET MANAGEMENT TEL:(852)2108 1110
Internet:http://www.manulife.com.hk 47/F Manulife Plaza, Causeway Bay, Hong Kong

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
American Growth	US	EQ	LUX	02/09	USD	14.33	-6.1	19.9	-11.0
American Growth AA	US	EQ	LUX	02/09	USD	0.83	-6.2	19.6	-9.2
Asian Equity	AS	EQ	LUX	02/09	USD	2.23	-9.0	55.2	-9.4
Asian Equity AA	AS	EQ	LUX	02/09	USD	0.72	-9.0	54.6	-9.7
Asian Sm Cap Equity AA	AS	EQ	LUX	02/09	USD	1.08	-6.7	82.9	-4.3
China Value A	AS	EQ	LUX	02/09	USD	6.31	-11.3	48.2	-6.5
China Value AA	AS	EQ	LUX	02/09	USD	1.98	-11.3	47.8	-6.7
Dragon Growth	AS	EQ	LUX	02/09	USD	1.47	-10.3	51.3	-9.1
Dragon Growth AA	OT	OT	LUX	02/09	HKD	7.18	-10.1	51.2	-10.0
Emg Eastrn Europe A	EU	EQ	LUX	02/09	USD	4.32	-6.2	103.2	-14.0
Emg Eastrn Europe AA	EU	EQ	LUX	02/09	USD	1.86	-6.2	102.9	-14.2
European Growth	EU	EQ	LUX	02/09	USD	8.29	-9.5	37.3	-15.5
European Growth AA	EU	EQ	LUX	02/09	USD	0.59	-9.5	37.0	-15.7
Global Contrarain AA	GL	EQ	LUX	02/09	USD	0.87	-2.0	87.1	NS
Global Property AA	OT	EQ	LUX	02/09	USD	0.63	-7.0	49.9	-13.1
Global Resources AA	OT	EQ	LUX	02/09	USD	0.98	-9.5	29.0	-14.6
Healthcare AA	OT	EQ	LUX	02/09	USD	0.92	-2.9	10.0	NS
India Equity AA	EA	EQ	LUX	02/09	USD	1.01	-8.3	67.0	-15.0
International Growth	GL	EQ	LUX	02/09	USD	2.86	-6.4	18.4	-13.7
International Growth AA	GL	EQ	LUX	02/09	USD	0.66	-6.4	18.1	-13.9
Japanese Growth	JP	EQ	LUX	02/09	USD	2.72	-1.3	18.4	-9.5
Japanese Growth AA	JP	EQ	LUX	02/09	USD	0.72	-0.6	19.0	-9.4
Latin America Equity AA	GL	EQ	LUX	02/09	USD	1.14	-11.6	66.1	-6.2
Manulife GF Strategic Income Fund AA	OT	OT	NA	02/09	USD	1.00	0.0	NS	NS
MGF Asia Value Dividend Equity Fund	OT	OT	Lux	02/09	USD	1.09	-4.6	NS	NS
Russia Equity AA	EE	EQ	LUX	02/09	USD	0.62	-0.1	132.5	-18.7
Taiwan Equity AA	AS	EQ	LUX	02/09	USD	0.96	-11.5	71.4	-0.3
Turkey Equity AA	EE	EQ	LUX	02/09	USD	0.74	-3.8	108.0	-1.3
U.S. Bond AA	US	BD	LUX	02/09	USD	1.13	1.7	18.8	7.8
U.S. Sm Cap Equity AA	US	EQ	LUX	02/09	USD	0.81	-0.8	61.7	-9.1
U.S. Special Opportunities	OT	OT	LUX	02/09	USD	0.82	1.5	87.8	3.0
U.S. Tsy Inf-ProtSec AA	OT	BD	LUX	02/09	USD	1.15	0.8	9.2	2.0

PT CIPTADANA ASSET MANAGEMENT
Tel: +62 21 25574 883 Fax: +62 21 25574 893 Website: www.ciptadana.com

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Indonesian Grth Fund	EA	EQ	CYM	02/03	USD	131.37	3.2	127.9	-0.6

Sensible Asset Management
A Value Partners Group company

SENSIBLE ASSET MANAGEMENT LIMITED
www.samfund.com.hk Tel: (852) 2868 6848 Fax: (852) 2810 9948

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Asia Value Formula Fd-B	AS	EQ	CYM	02/08	USD	7.49	-6.6	76.2	-5.0

SOCIETE GENERALE
Asset Management

SG ASSET MANAGEMENT (HK) LTD
Hotline in Hong Kong 2166 5099
A company of Amundi Group
www.sgam.com

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Bonds Eur Hi Yld A	OT	OT	LUX	02/05	EUR	21.11	2.6	51.8	3.5
Bonds EURO A	OT	OT	LUX	02/08	EUR	41.29	0.6	5.5	4.1
Bonds EUROPE A	OT	OT	LUX	02/08	EUR	39.37	0.7	4.3	3.6
Bonds US OppsCoreplus A	OT	OT	LUX	02/05	USD	37.54	1.7	15.9	8.0
Bonds World A	OT	OT	LUX	02/08	USD	41.71	-0.7	10.3	4.4
Eq. AsiaPac Dual Strategies A	OT	OT	LUX	02/08	USD	9.29	-10.9	54.5	-11.6
Eq. China A	AS	EQ	LUX	02/08	USD	20.93	-13.3	43.1	-11.8
Eq. Concentrated Euroland A	OT	OT	LUX	02/08	EUR	85.03	-8.5	11.2	-16.5
Eq. ConcentratedEuropeA	EU	EQ	LUX	02/08	EUR	25.11	-7.0	22.8	-15.3
Eq. Emerging Europe A	OT	OT	LUX	02/08	EUR	22.93	-2.6	91.7	-20.9
Eq. Euroland A	EU	EQ	LUX	02/05	EUR	9.84	-9.1	12.7	-17.9
Eq. Euroland Small Cap A	OT	OT	LUX	02/08	EUR	134.01	-5.1	31.3	-8.0
Eq. EurolandCyclclsA	EU	EQ	LUX	02/08	EUR	17.01	-4.4	21.2	-11.2
Eq. EurolandFinancialA	OT	EQ	LUX	02/05	EUR	9.80	-13.4	31.6	-21.0
Eq. Glbl Emg Cty A	GL	EQ	LUX	02/08	USD	8.45	-12.7	47.5	-16.1
Eq. Global A	GL	EQ	LUX	02/08	USD	26.01	-6.6	27.0	-11.3
Eq. Global Energy A	OT	OT	LUX	02/08	USD	16.72	-7.8	15.6	-13.6
Eq. Global Resources A	OT	OT	LUX	02/08	USD	97.76	-10.5	31.4	-14.6
Eq. Gold Mines A	OT	EQ	LUX	02/05	USD	27.45	-9.4	29.5	-5.5
Eq. India A	OT	OT	LUX	02/08	USD	118.88	-9.1	69.0	-15.5
Eq. Japan CoreAlpha A	OT	OT	LUX	02/08	JPY	7321.86	0.9	29.2	-7.0
Eq. Latin America A	OT	OT	LUX	02/05	USD	101.11	-13.0	58.9	-13.2
Eq. US Lg Cap Gr A	US	EQ	LUX	02/05	USD	14.17	-7.1	27.2	-10.1
Eq. US Rel Val A	US	EQ	LUX	02/05	USD	19.66	-4.6	34.4	-13.9
Eq. US Sm Cap Val A	US	EQ	LUX	02/08	USD	14.82	-7.1	18.8	-18.6
Money Market EURO A	EU	MM	LUX	02/05	EUR	27.41	0.0	0.8	2.5
Money Market USD A	US	MM	LUX	02/05	USD	15.83	0.0	0.4	1.5

The National Investor

THE NATIONAL INVESTOR
TNI Tower | Zayed 1st Street Khalidia| Web:www.tni.ae

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
TNI Mena Real Estate Fund	OT	OT	BMU	02/04	USD	924.08	-3.9	3.6	-28.5
TNI MENA Special Sits Fund	OT	OT	BMU	01/31	USD	1091.50	1.1	13.6	NS
TNI UAE Blue Chip Fund	OT	OT	ARE	02/04	AED	5.04	-5.3	21.9	-33.0

Value Partners
Investing through discipline

WEBSITE: WWW.VALUEPARTNERS.COM.HK, TEL: (852) 2880 9263, FAX: (852) 2564 8487
**formerly known as China ABH Shares Fund*

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Intel-Chin MainInd Foc	AS	EQ	CYM	01/29	USD	28.14	-5.7	85.5	2.1
Intel-China Converg*	AS	EQ	CYM	01/29	USD	107.04	-6.1	85.8	1.1
VP Classic - A	AS	EQ	CYM	02/08	USD	171.15	-8.2	72.5	-0.5
VP Classic - B	AS	EQ	CYM	02/08	USD	79.73	-8.3	71.6	-1.0
VP High Dividend Stk	AS	EQ	CYM	02/01	USD	43.91	-3.3	82.2	4.7

yuki
Yuki Management & Research
Tel +81-3-5299-3277 www.yukijapan.co.jp

YUKI INTERNATIONAL LIMITED
Tel +44-207-269 0203 www.yukifunds.com

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
YMR-N Series									
YMR-N Growth Fund	OT	OT	IRL	02/09	JPY	8877.00	-6.2	15.9	-19.2
YMR-N Small Cap Fund	OT	OT	IRL	02/09	JPY	6622.00	-5.2	15.3	-18.9
Yuki 77 Series									
Yuki 77 General	JP	EQ	IRL	02/09	JPY	5742.00	-6.6	7.2	-22.5
Yuki 77 Growth	JP	EQ	IRL	02/09	JPY	5263.00	-6.7	3.7	-26.8
Yuki Chugoku Series									
Yuki Chugoku Jpn Gen	JP	EQ	IRL	02/09	JPY	6498.00	-4.8	15.3	-18.2
Yuki Chugoku JpnLowP	JP	EQ	IRL	02/09	JPY	7389.00	-2.0	6.1	-17.8
Yuki Hokuyo Japan Series									
Yuki Hokuyo Jpn Gen	JP	EQ	IRL	02/09	JPY	4433.00	-5.1	10.3	-21.9
Yuki Hokuyo Jpn Inc	JP	EQ	IRL	02/09	JPY	5064.00	-3.5	11.0	-17.0
Yuki Hokuyo Jpn Sm Cap	JP	EQ	IRL	02/09	JPY	4805.00	-5.9	16.3	-18.6
Yuki Mizuho Series									
Yuki Mizuho Gen Jpn III	OT	OT	IRL	02/09	JPY	4113.00	-6.9	10.4	-26.5
Yuki Mizuho Jpn Dyn Gro	OT	OT	IRL	02/09	JPY	4332.00	-7.1	9.9	-26.5
Yuki Mizuho Jpn Exc 100	OT	OT	IRL	02/09	JPY	6492.00	-6.9	20.1	-20.7
Yuki Mizuho Jpn Gen	OT	OT	IRL	02/09	JPY	8068.00	-6.4	14.6	-18.9
Yuki Mizuho Jpn Gro	OT	OT	IRL	02/09	JPY	5944.00	-6.5	9.8	-21.3
Yuki Mizuho Jpn Inc	OT	OT	IRL	02/09	JPY	7328.00	-4.0	3.5	-19.4
Yuki Mizuho Jpn Lg Cap	OT	OT	IRL	02/09	JPY	4924.00	-5.1	13.3	-20.3
Yuki Mizuho Jpn LowP	OT	OT	IRL	02/09	JPY	11182.00	-3.3	15.6	-14.6
Yuki Mizuho Jpn PGth	OT	OT	IRL	02/09	JPY	7414.00	-6.9	11.2	-24.4
Yuki Mizuho Jpn SmCp	OT	OT	IRL	02/09	JPY	6632.00	-7.1	21.7	-20.5
Yuki Mizuho Jpn Val Sel	OT	OT	IRL	02/09	JPY	5392.00	-4.5	14.7	-16.8
Yuki Mizuho Jpn YoungCo	OT	OT	IRL	02/09	JPY	2509.00	-8.0	12.9	-26.5
Yuki Shizuoka Japan Series									
Yuki Shizuoka General Japan	JP	EQ	IRL	02/09	JPY	5109.00	-5.8	14.5	-19.5

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

Major players & benchmarks

At right, a look at the Asia Titans, the biggest and best known companies in Asia. Below, some of the Dow Jones Titans indexes of biggest and most liquid stocks in individual countries and regions

Giants around the world

In U.S.-dollar terms.

Dow Jones Country Titans

	INDEX PERFORMANCE		
	Previous session	Year-to-date	52-week
Sweden	0.89%	-0.3%	46.1%
Japan	unch.	-3.2	14.3
South Africa	1.74	-3.4	20.7
Netherlands	0.53	-4.2	32.6
Switzerland	0.04	-4.2	27.6
Singapore	1.75	-5.2	64.0
Canada	1.05	-5.5	23.5
U.K.	0.42	-5.5	21.2
Turkey	1.10	-5.6	87.3
Russia	0.46	-6.4	64.0
South Korea	1.59	-7.1	32.3
Australia	-0.54	-7.5	27.6
Germany	0.43	-7.9	16.7
France	0.35	-8.5	21.2
Hong Kong	1.67	-9.1	37.6
Italy	0.17	-9.2	18.0
Spain	0.44	-12.2	11.9
China 88	0.68	-12.4	28.6
Brazil	3.48	-12.6	69.0

Dow Jones Regional Sector Titans

Arab 50	0.53%	3.3%	31.3%
Travel Leisure	0.25	0.4	30.8
Nordic 30 -p	0.07	0.1	28.0
Pers H'hold Gds	-0.02	-1.5%	29.9
Asian 50	0.61	-5.0	32.5
EU Enlarged†-p	-0.23	-6.6	44.1
Stoxx 50 -p	1.07	-7.2	17.3
Global 50	0.10	-7.3	23.4
Tiger 50*	1.74	-8.6	50.1
Euro Stoxx 50 -p	1.24	-10.1	13.4

*Asia excluding Japan †15 companies from the new EU countries; Cyprus, CzechRepublic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Source: Dow Jones Indexes

Dow Jones Asia Titans: Tuesday's best and worst...

Company	Country	Industry	Market value, in billions of US$	Previous close, in local currency	STOCK PERFORMANCE Previous session	52-week	Three-year
KB Fncl Group	South Korea	Banks	$16.0	48,350	5.34%	38.5%	-40.3%
Shinhan Financial Grp	South Korea	Banks	16.9	41,300	4.16	43.9	-20.6
CNOOC	Hong Kong	Exploration Production	67.8	11.80	3.51	56.3	83.2
Toyota Motor	Japan	Automobiles	118.8	3,375	2.90	7.5	-58.6
PetroChina	Hong Kong	Integrated Oil Gas	22.9	8.45	2.42	28.0	-11.0
Japan Tobacco	Japan	Tobacco	$33.3	310,500	-2.97%	29.4	-44.0
Takeda Pharm	Japan	Pharmaceuticals	34.4	3,895	-2.63	-2.6	-52.0
Seven I Hldgs	Japan	Broadline Retailers	19.5	1,926	-2.03	-13.2	-46.2
Aus NZ Bk	Australia	Banks	45.0	20.57	-1.91	65.2	-30.4
East Japan Railway	Japan	Travel Tourism	26.0	5,870	-1.84	5.6	-35.4

...And the rest of Asia's blue chips

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Nissan Motor Japan (Automobiles)	33.3	731.00	2.38%	161.1%	-46.6%
POSCO South Korea (Iron Steel)	34.5	528,000	2.33	35.2	52.2
Taiwan Smcndtr Mfg Taiwan (Semiconductors)	47.3	58.60	2.09	31.3	-9.6
Sumitomo Mitsui Finl Japan (Banks)	42.7	2,831	2.05	-19.8	-75.8
Indl Comm Bk China Hong Kong (Banks)	59.0	5.52	2.03	50.0	19.7
Mitsubishi Japan (Industrial Suppliers)	39.2	2,136	1.86	59.8	-17.5
Samsung Elec South Korea (Semiconductors)	96.7	761,000	1.74	46.4	35.4
Sun Hung Kai Prop Hong Kong (Real Estate Holding Development)	33.0	100.00	1.73	51.6	6.4
China Constr Bk Hong Kong (Banks)	169.7	5.87	1.73	39.8	22.6
Cheung Kong Hong Kong (Real Estate Holding Development)	27.5	92.15	1.65	36.4	-9.0
Hutchison Whampoa Hong Kong (Diversified Industrials)	29.4	53.65	1.51	37.9	-32.3
Mizuho Financial Grp Japan (Banks)	27.5	175.00	1.16	-20.1	-79.8
Mitsui Japan (Industrial Suppliers)	26.2	1,293	1.02	28.5	-37.5
Honda Motor Japan (Automobiles)	62.5	3,060	0.82	36.0	-37.4
China Mobile (HK) Hong Kong (Mobile Telecommunications)	194.5	76.00	0.80	-0.6	5.0
China Life Ins Hong Kong (Life Insurance)	31.4	32.80	0.77	37.8	41.1
BHP Billiton Australia (General Mining)	116.8	39.85	0.63	19.5	39.5
KDDI Japan (Mobile Telecommunications)	23.9	484,000	0.62	-2.0	-49.8
Canon Japan (Electronic Office Equipment)	48.5	3,515	0.57	36.5	-44.0
Westfield Grp Australia (Retail REITs)	24.7	12.23	0.41	9.7	-46.7

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Sony Japan (Consumer Electronics)	33.3	2,985	0.40%	64.5%	-50.3%
Mitsubishi UFJ Finl Japan (Banks)	70.9	456.00	0.22	-6.0	-68.8
QBE Ins Grp Australia (Reinsurance)	19.8	22.17	0.09	-3.6	-27.7
Commonwlth Bk of Aus Australia (Banks)	69.9	52.72	-0.09	78.1	2.2
Nippon T&T Japan (Fixed Line Telecommunications)	58.3	3,940	-0.13	-6.0	-41.4
RioZim Ltd Australia (General Mining)	35.5	66.99	-0.28	73.4	12.5
Tokio Marine Hldgs Japan (Property Casualty Insurance)	21.0	2,388	-0.29	-2.9	-43.9
Hon Hai Precision Ind Taiwan (Electrical Components Equipment)	35.5	133.50	-0.37	140.3	-3.3
Shin-Etsu Chml Japan (Specialty Chemicals)	22.6	4,760	-0.42	12.3	-36.5
Woodside Petroleum Australia (Exploration Production)	26.4	42.11	-0.52	30.1	15.4
Nippon Steel Japan (Iron Steel)	22.4	319.00	-0.62	15.6	-56.2
NTT DoCoMo Japan (Mobile Telecommunications)	64.3	137,700	-0.79	-9.5	-36.8
JFE Hldgs Japan (Iron Steel)	18.3	3,095	-0.80	30.3	-56.8
Woolworths Australia (Food Retailers Wholesalers)	27.2	25.31	-0.82	-8.4	-1.0
Panasonic Japan (Consumer Electronics)	30.2	1,305	-0.99	15.5	-44.7
Nintendo Japan (Toys)	34.4	24,040	-1.11	-12.1	-26.7
Kansai Elec Power Japan (Conventional Electricity)	22.1	2,075	-1.24	-8.8	-45.1
National Australia Bk Australia (Banks)	46.0	25.12	-1.37	34.0	-38.9
Westpac Bking Australia (Banks)	58.1	22.88	-1.59	41.4	-10.5
Tokyo Elec Power Japan (Conventional Electricity)	36.2	2,397	-1.60	-11.6	-44.8

Sources: Dow Jones Indexes; WSJ Market Data Group

Tracking credit markets & dealmakers

— NOTICE TO READERS —
All statistics published in The Wall Street Journal Asia from markets outside the Asian-Pacific region reflect preliminary data.

WSJ.com

Follow the markets throughout the day with updated stock quotes, news and commentary at **WSJ.com/Asia**.
Also, receive email alerts that summarize the day's trading in Europe and Asia. To sign up, go to **WSJ.com/OnlineToday**

Hedge funds

Dow Jones Hedge Benchmark	TOTAL RETURN for rolling periods, net of fees* One week	One month	One quarter	Year to date	One year
Merger Arbitrage	-1.94%	-1.82%	-0.6%	-2.0%	4.3%
Event Driven	-1.99	-1.65	0.7	-1.3	12.1
Equity Long/Short	-0.78	-2.25	0.8	-1.1	2.4

*Estimates as of 02/05/10, after fees; Source: www.djhedgefundindexes.com

Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

Markit iTraxx Indexes

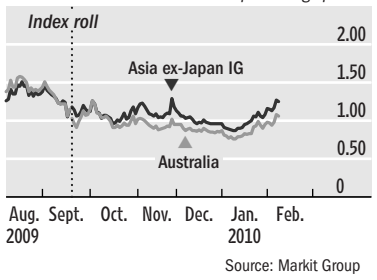
Index: series/version	Mid-spread, in pct. pts.	Mid-price	Coupon	SPREAD RANGE, in pct. pts. since most recent roll Maximum	Minimum	Average
Europe: 12/1	0.95	100.24%	0.01%	1.00	0.65	0.83
Eur. High Volatility: 12/1	1.37	98.32	0.01	1.76	0.92	1.30
Europe Crossover: 12/1	4.97	100.10	0.05	6.15	3.79	4.95
Asia ex-Japan IG: 12/1	1.25	98.88	0.01	1.34	0.87	1.06
Japan: 12/1	1.56	97.41	0.01	1.68	0.99	1.34

Note: Data as of February 8

Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.

In percentage points



Source: Markit Group

Credit-default swaps: Asian companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

Showing the biggest improvement...

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Taiheiyo Cem	496	**-25**	10	4
CNOOC	83	**-7**	6	19
Kdom Thailand	128	**-7**	11	33
Hysan Dev	71	**-6**	2	23
Rep Indonesia	220	**-6**	23	34
Socialist Rep Vietnam	266	**-5**	15	36
Nippon Oil	45	**-4**	3	1
Korea Dep Ins	101	**-4**	11	35
Ptt Pub	117	**-4**	11	31
Woori Bk	153	**-4**	7	50

And the most deterioration

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Yokogawa Elec	94	**6**	11	6
Kajima	386	**6**	11	86
Mitsubishi Elec	49	**7**	7	8
Casio Computer	65	**7**	13	15
NEC	104	**7**	9	12
Sharp	70	**10**	9	18
Fujitsu	80	**10**	9	24
Hitachi	104	**10**	14	24
Nippon Sheet Glass	221	**11**	17	16
Aeon	179	**19**	17	17

Source: Markit Group

Behind Europe's deals: Bank revenue rankings, UK

Behind every IPO, bond offering, merger deal or syndicated loan is one or more investment banks. Here are investment banks ranked by year-to-date revenues from recent deals.

	Revenue, in millions	Market share	PERCENTAGE OF TOTAL REVENUE Equity capital markets	Debt capital markets	Mergers & acquisitions	Loans
JPMorgan	$599	12.3%	74%	9%	16%	1%
RBS	432	8.9	55	37	3	4
UBS	333	6.9	53	4	42	...
Goldman Sachs	306	6.3	55	18	27	...
Citi	292	6.0	54	11	34	1
Credit Suisse	291	6.0	77	8	13	1
Barclays Capital	265	5.5	15	63	14	7
Bank of America Merrill Lynch	236	4.9	72	13	14	1
Morgan Stanley	231	4.8	58	12	30	1

Source: Dealogic

GLOBAL MARKETS LINEUP

Commodities

Prices of futures contracts with the most open interest

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **NYBOT:** New York Board of Trade; **MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **LME:** London Mercantile Exchange; **NYMEX:** New York Mercantile Exchange; **ICE:** IntercontinentalExchange

Commodity	Exchange	Last price	ONE-DAY CHANGE Net	ONE-DAY CHANGE Percentage	Contract high	Contract low
Corn (cents/bu.)	CBOT	361.75	5.75	1.62%	712.25	315.50
Soybeans (cents/bu.)	CBOT	933.00	3.50	0.38	1,560.00	805.00
Wheat (cents/bu.)	CBOT	478.25	-5.75	-1.19%	1,029.25	459.00
Live cattle (cents/lb.)	CME	90.800	0.400	0.44	95.175	85.050
Cocoa ($/ton)	ICE-US	3,043	-11	-0.36	3,514	2,066
Coffee (cents/lb.)	ICE-US	132.30	-0.25	-0.19	190.40	118.30
Sugar (cents/lb.)	ICE-US	27.00	0.40	1.50	30.40	11.91
Cotton (cents/lb.)	ICE-US	71.29	2.13	3.08	84.00	49.67
Crude palm oil (ringgit/ton)	MDEX	2,561.00	11	0.43	2,743	2,150
Cocoa (pounds/ton)	LIFFE	2,241	4	0.18	2,350	1,310
Robusta coffee ($/ton)	LIFFE	1,291	-5	-0.39	1,710	1,275
Copper (cents/lb.)	COMEX	296.30	5.00	1.72	365.00	135.50
Gold ($/troy oz.)	COMEX	1074.20	8.50	0.80	1,229.00	785.10
Silver (cents/troy oz.)	COMEX	1529.00	20.50	1.36	2,011.50	1,045.00
Aluminum ($/ton)	LME	2,035.00	33.00	1.65	2,356.50	1,288.00
Tin ($/ton)	LME	15,525.00	550.00	3.67	18,250.00	9,945.00
Copper ($/ton)	LME	6,530.00	184.00	2.90	7,695.00	3,171.00
Lead ($/ton)	LME	1,990.00	38.00	1.95	2,615.00	995.00
Zinc ($/ton)	LME	2,056.00	46.00	2.29	2,659.00	1,086.00
Nickel ($/ton)	LME	17,400	300	1.75	21,150	9,475
Crude oil ($/bbl.)	NYMEX	72.69	0.80	1.11	141.30	48.78
Heating oil ($/gal.)	NYMEX	1.9115	0.0260	1.38	3.5280	1.3800
RBOB gasoline ($/gal.)	NYMEX	1.9061	0.0120	0.63	2.2003	1.2176
Natural gas ($/mmBtu)	NYMEX	5.325	-0.076	-1.41	12.590	4.550
Brent crude ($/bbl.)	ICE-EU	71.70	1.04	1.47	83.58	51.55
Gas oil ($/ton)	ICE-EU	584.25	9.75	1.70	688.00	502.25

Source: Thomson Reuters; WSJ Market Data Group

WSJ.com

Follow the markets throughout the day with updated stock quotes, news and commentary at **WSJ.com**
Also, receive email alerts that summarize the day's trading in Europe and Asia. To sign up, go to **WSJ.com/Email**

Currencies

London close on Feb. 9

AMERICAS	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Argentina peso-a	5.2795	0.1894	3.8438	0.2602
Brazil real	2.5479	0.3925	1.8551	0.5391
Canada dollar	1.4743	0.6783	1.0734	0.9316
1-mo. forward	1.4744	0.6783	1.0734	0.9316
3-mos. forward	1.4745	0.6782	1.0735	0.9315
6-mos. forward	1.4745	0.6782	1.0735	0.9315
Chile peso	744.51	0.001343	542.05	0.001845
Colombia peso	2723.65	0.0003672	1983.00	0.0005043
Ecuador US dollar-f	1.3735	0.7281	1	1
Mexico peso-a	18.0391	0.0554	13.1337	0.0761
Peru sol	3.9343	0.2542	2.8644	0.3491
Uruguay peso-e	27.333	0.0366	19.900	0.0503
U.S. dollar	1.3735	0.7281	1	1
Venezuela bolivar	5.90	0.169529	4.29	0.232848
ASIA-PACIFIC				
Australia dollar	1.5740	0.6353	1.1460	0.8726
China yuan	9.3765	0.1066	6.8268	0.1465
Hong Kong dollar	10.6737	0.0937	7.7712	0.1287
India rupee	63.8952	0.0157	46.5200	0.0215
Indonesia rupiah	12883	0.0000776	9380	0.0001066
Japan yen	122.78	0.008144	89.40	0.011186
1-mo. forward	122.77	0.008145	89.38	0.011188
3-mos. forward	122.73	0.008148	89.35	0.011191
6-mos. forward	122.64	0.008154	89.29	0.011199
Malaysia ringgit-c	4.7142	0.2121	3.4323	0.2914
New Zealand dollar	1.9903	0.5024	1.4491	0.6901
Pakistan rupee	116.816	0.0086	85.050	0.0118
Philippines peso	63.414	0.0158	46.170	0.0217
Singapore dollar	1.9478	0.5134	1.4182	0.7051
South Korea won	1594.56	0.0006271	1160.95	0.0008614
Taiwan dollar	44.069	0.02269	32.085	0.03117
Thailand baht	45.566	0.02195	33.175	0.03014

EUROPE	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Euro zone euro	1	1	0.7281	1.3735
1-mo. forward	1.0001	0.9999	0.7281	1.3734
3-mos. forward	1.0002	0.9998	0.7282	1.3732
6-mos. forward	1.0006	0.9994	0.7285	1.3727
Czech Rep. koruna-b	26.118	0.0383	19.016	0.0526
Denmark krone	7.4453	0.1343	5.4207	0.1845
Hungary forint	271.98	0.003677	198.02	0.005050
Norway krone	8.1502	0.1227	5.9339	0.1685
Poland zloty	4.0840	0.2449	2.9735	0.3363
Russia ruble-d	41.687	0.02399	30.351	0.03295
Sweden krona	10.1204	0.0988	7.3683	0.1357
Switzerland franc	1.4659	0.6822	1.0673	0.9369
1-mo. forward	1.4657	0.6823	1.0671	0.9371
3-mos. forward	1.4650	0.6826	1.0666	0.9375
6-mos. forward	1.4638	0.6831	1.0658	0.9383
Turkey lira	2.0812	0.4805	1.5153	0.6600
U.K. pound	0.8802	1.1361	0.6408	1.5605
1-mo. forward	0.8804	1.1359	0.6410	1.5602
3-mos. forward	0.8807	1.1354	0.6412	1.5595
6-mos. forward	0.8813	1.1347	0.6416	1.5585
MIDDLE EAST/AFRICA				
Bahrain dinar	0.5178	1.9313	0.3770	2.6526
Egypt pound-a	7.5405	0.1326	5.4900	0.1821
Israel shekel	5.1183	0.1954	3.7265	0.2683
Jordan dinar	0.9721	1.0287	0.7078	1.4129
Kuwait dinar	0.3958	2.5266	0.2882	3.4703
Lebanon pound	2060.94	0.0004852	1500.50	0.0006665
Saudi Arabia riyal	5.1506	0.1942	3.7500	0.2667
South Africa rand	10.5852	0.0945	7.7067	0.1298
United Arab dirham	5.0446	0.1982	3.6728	0.2723
SDR -f	0.8918	1.1213	0.6493	1.5401

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

Price-to-earnings ratio*	Region/Country	Index	PREVIOUS SESSION Close	PREVIOUS SESSION Net change	PREVIOUS SESSION Percentage change	PERFORMANCE Yr.-to-date	PERFORMANCE 52-wk.
51	**ASIA-PACIFIC**	DJ Asia-Pacific	117.32	0.55	0.47%	-4.7%	36.2%
...	Australia	SPX/ASX 200	4505.07	-16.29	-0.36%	-7.5	29.1
...	China	CBN 600	26174.34	116.49	0.45	-9.9	37.3
18	Hong Kong	Hang Seng	19790.28	239.39	1.22	-9.5	42.6
18	India	Sensex	16042.18	106.57	0.67	-8.1	66.3
...	Indonesia	Jakarta Composite	2489.485	13.913	0.56	-1.8	86.9
...	Japan	Nikkei Stock Average	9932.90	-18.92	-0.19	-5.8	25.0
...		Topix	881.57	-1.44	-0.16	-2.9	13.3
...	Malaysia	Kuala Lumpur Composite	1233.86	-1.36	-0.11	-3.1	36.6
15	New Zealand	NZSX-50	3076.451	-17.000	-0.55	-4.8	11.9
9	Pakistan	KSE 100	9786.46	-23.52	-0.24	4.3	79.4
13	Philippines	Manila Composite	2797.61	-48.99	-1.72	-8.4	45.9
...	Singapore	Straits Times	2745.02	51.40	1.91	-5.3	61.2
11	South Korea	Kospi	1570.49	17.70	1.14	-6.7	31.0
20	Taiwan	Weighted	7361.04	145.16	2.01	-10.1	62.6
10	Thailand	SET	685.89	-2.20	-0.32	-6.6	54.8
58	**EUROPE**	DJ Stoxx 600	238.83	-0.08	-0.03	-5.7	22.5
23		DJ Stoxx 50	2393.71	-4.86	-0.20	-7.2	19.4
70	**Euro Zone**	DJ Euro Stoxx	251.41	0.17	0.07%	-8.5%	18.7%
21		DJ Euro Stoxx 50	2661.12	-3.17	-0.12%	-10.3	16.4
20	Denmark	OMX Copenhagen	327.34	2.85	0.88	3.7	35.5
19	Finland	OMX Helsinki	6483.95	14.17	0.22	0.4	24.2
18	France	CAC-40	3612.76	5.49	0.15	-8.2	19.6
19	Germany	DAX	5498.26	13.41	0.24	-7.7	22.0
14	Italy	FTSE MIB	20818.97	-119.27	-0.57	-10.4	14.1
...	Netherlands	AEX	317.06	0.56	0.18	-5.4	26.1
...	Russia	RTSI	1390.32	14.98	1.09	-2.6	130.6
9	Spain	IBEX 35	10275.4	69.1	0.68	-13.9	22.4
14	Switzerland	SMI	6314.75	-32.39	-0.51	-3.5	22.7
...	Turkey	ISE National 100	50826.36	892.98	1.79	-3.8	95.7
13	U.K.	FTSE 100	5111.84	19.51	0.38	-5.6	21.3
18	**AMERICAS**	DJ Americas	282.41	2.99	1.07	-4.7	32.8
...	Brazil	Bovespa	64791.61	1638.52	2.59	-5.5	57.2
...	Argentina	Merval	2222.14	34.31	1.57	-4.2	98.5
19	Mexico	IPC	30789.55	140.11	0.46	-4.1	55.2

*P/E ratios use trailing 12-months, as-reported earnings
European and Americas index data are as of 12:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

Thomson Reuters is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

Dow Jones and Dow Jones Stoxx Indexes

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	PERFORMANCE Year-to-date	PERFORMANCE 52-wk.	PERFORMANCE Three-yr., annualized
2.27%	19	**DJ Global Index**	213.36	1.74	0.82%	-6.0%	34.0%	-9.1%
1.94	20	**Global DOW**	1835.90	6.26	0.34	-7.5	29.9	-5.9
2.40		**Asia/Pacific 600**	111.27	-0.05	-0.04	-3.0	28.3	-9.4
1.88	14	**Emerging Markets**	257.40	4.53	1.79	-8.0	65.0	-0.1
2.22	51	**Asia/Pacific**	117.32	0.55	0.47	-4.7	36.2	-7.8
2.53	16	**Asia/Pacific ex-Japan**	288.28	3.29	1.16	-8.6	64.0	-3.2
2.73	22	**Southeast Asia**	148.50	2.28	1.56	-7.7	70.3	-1.5
0.90	26	**CBN China 600** -c	26174.34	116.49	0.45	-9.9	37.3	11.8
0.93	30	**Shanghai**	352.10	1.91	0.55	-9.2	37.5	11.9
0.62	44	**Shenzhen**	383.02	0.32	0.08	-8.0	54.4	18.3
2.44	17	**China Offshore 50**	3648.46	59.00	1.64	-10.5	39.4	3.2
7.71	9	**Australia LPT** -c, d	1137.65	3.88	0.34	-2.2	25.3	-23.9

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	PERFORMANCE Year-to-date	PERFORMANCE 52-wk.	PERFORMANCE Three-yr., annualized
2.19%	14	**Islamic Market**	1869.00	16.83	0.91%	-5.4%	31.4%	-4.0%
2.49	15	**Islamic Market 100**	2014.41	15.22	0.76	-5.0	22.2	-4.3
9.24		**Bahrain**	127.13	0.86	0.68	4.4	-5.9	-11.3
2.78	44	**Kuwait**	202.41	4.12	2.08	4.0	14.6	-14.7
2.74	18	**Sustainability**	933.73	6.40	0.69	-7.8	32.0	-10.2
2.53	58	**Stoxx 600 -p**	244.46	2.02	0.83	-10.1	25.6	-12.8
4.09	18	**Stoxx Select Div 30 -p**	1604.32	0.38	0.02	-10.7	21.5	-24.9
3.67	25	**Euro Stoxx Sel Div 30 -p**	1891.28	5.10	0.27	-11.1	27.9	-21.1
1.83	24	**DJ U.S. TSM**	11021.38	107.51	0.99	-4.1	31.5	-8.9
4.41	14	**U.S. Select Dividend -d**	627.37	4.62	0.74	-3.6	30.9	-11.8
5.16		**U.S. REIT**	135.04	0.36	0.27	-7.1	40.0	-22.6
		DJ-UBS Commodity -p	127.98	1.42	1.12	-8.1	13.4	-8.4

*Fundamentals are based on data in U.S. dollar. Footnotes: c-in local currency. d-dividends reinvested. p-previous day. Note: All data as of 11:30 a.m. ET.

Source: Dow Jones Indexes

Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

	US$	A$	£	C$	YUAN	EURO	HK$	RUPEE	RUPIAH	YEN	NZ$	WON	RINGGIT	PH. PESO	S$	S FRANC	TW$	BAHT
U.S.		1.146	0.641	1.073	6.827	0.728	7.771	46.520	9379.98	89.395	1.449	1160.95	3.432	46.170	1.418	1.067	32.085	33.175
Australia	0.873		0.559	0.937	5.957	0.635	6.781	40.593	8184.97	78.006	1.264	1013.05	2.995	40.288	1.237	0.931	27.997	28.949
Britain	1.561	1.788		1.675	10.653	1.136	12.127	72.594	14637.46	139.501	2.261	1811.67	5.356	72.048	2.213	1.666	50.069	51.770
Canada	0.932	1.068	0.597		6.360	0.678	7.240	43.339	8738.57	83.282	1.350	1081.57	3.198	43.013	1.321	0.994	29.891	30.906
China	0.1465	0.168	0.094	0.157		0.107	1.138	6.814	1374.00	13.095	0.212	170.06	0.503	6.763	0.208	0.156	4.700	4.860
Euro	1.374	1.574	0.880	1.474	9.377		10.674	63.895	12883.41	122.784	1.990	1594.57	4.714	63.414	1.948	1.466	44.069	45.566
Hong Kong	0.129	0.147	0.082	0.138	0.878	0.094		5.986	1207.02	11.503	0.186	149.39	0.442	5.941	0.182	0.137	4.129	4.269
India	0.0215	0.0246	0.0138	0.0231	0.1467	0.0157	0.1671		201.63	1.9216	0.0311	24.96	0.0738	0.9925	0.0305	0.0229	0.6897	0.7131
Indonesia	0.0001	0.0001	0.0001	0.0001	0.0007	0.0001	0.0008	0.0050		0.0095	0.0002	0.12	0.0004	0.0049	0.0002	0.0001	0.0034	0.0035
Japan	0.011	0.013	0.007	0.012	0.076	0.008	0.087	0.520	104.93		0.016	12.99	0.038	0.516	0.016	0.012	0.359	0.371
New Zealand	0.690	0.791	0.442	0.741	4.711	0.502	5.363	32.103	6473.13	61.691		801.17	2.369	31.862	0.979	0.737	22.142	22.894
South Korea	0.0009	0.0010	0.0006	0.0009	0.0059	0.0006	0.0067	0.0401	8.08	0.0770	0.0012		0.0030	0.0398	0.0012	0.0009	0.0276	0.0286
Malaysia	0.291	0.334	0.187	0.313	1.989	0.212	2.264	13.554	2732.90	26.046	0.422	338.25		13.452	0.413	0.311	9.348	9.666
Philippines	0.022	0.025	0.014	0.023	0.148	0.016	0.168	1.008	203.16	1.936	0.031	25.15	0.074		0.031	0.023	0.695	0.719
Singapore	0.705	0.808	0.452	0.757	4.814	0.513	5.480	32.803	6614.24	63.036	1.022	818.64	2.420	32.556		0.753	22.625	23.393
Switzerland	0.937	1.074	0.600	1.006	6.396	0.682	7.281	43.587	8788.52	83.758	1.358	1087.75	3.216	43.259	1.329		30.062	31.083
Taiwan	0.031	0.036	0.020	0.033	0.213	0.023	0.242	1.450	292.35	2.786	0.045	36.18	0.107	1.439	0.044	0.033		1.034
Thailand	0.030	0.035	0.019	0.032	0.206	0.022	0.234	1.402	282.74	2.695	0.044	34.99	0.103	1.392	0.043	0.032	0.967	

Source: Thomson Reuters via WSJ Market Data Group

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of February. 09, 2010

Dividend yield	Price-to-earnings ratio	Morgan Stanley Index	Last	LOCAL-CURRENCY PERFORMANCE Daily	YTD	52-wk.
2.40%	26	**ALL COUNTRY (AC) WORLD***	278.77	0.28%	**-6.9%**	34.0%
2.50	27	**World (Developed Markets)**	1,092.63	0.26	**-6.5**	30.3
1.80	116	**World Small Cap**	180.56	0.79	**-5.0**	45.8
2.60	22	**Kokusai (World ex-Japan)**	1,074.67	0.18	**-7.3**	32.5
3.00	27	**EAFE**	1,458.00	-0.44	**-7.8**	30.7
2.10	20	**Emerging Markets (EM)**	894.07	0.41	**-9.6**	68.8
2.60	22	**AC ASIA PACIFIC EX-JAPAN**	376.30	0.07	**-9.7**	64.8
2.10	22	**AC Far East ex-Japan**	406.42	0.59	**-9.7**	58.5
1.70	-36	**Japan**	551.96	-1.03	**-2.9**	12.8
2.00	19	**China**	57.48	-0.96	**-11.3**	53.6
0.90	37	**China A (China Domestic)**	3,009.46	-0.10	**-11.0**	56.1
2.70	22	**Hong Kong**	9,394.91	-0.07	**-7.7**	42.6
1.00	20	**India**	648.11	0.99	**-8.3**	78.7
1.10	16	**Korea**	440.97	-0.70	**-8.3**	37.8
2.40	19	**Malaysia**	454.98	-0.72	**-3.2**	39.0
3.10	17	**Singapore**	1,504.98	0.69	**-7.4**	52.7
2.60	232	**Taiwan**	262.34	-0.00	**-11.4**	64.3
3.00	18	**Thailand**	278.62	-0.78	**-7.6**	55.9
4.00	24	**Australia**	933.06	0.28	**-6.8**	28.1
5.40	16	**New Zealand**	82.14	-0.28	**-5.8**	2.5
1.90	32	**US BROAD MARKET**	1,173.25	0.86	**-5.2**	30.4
3.40	17	**EUROPE**	82.95	0.66	**-6.0**	24.0

*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

MARKETS LINEUP

Moving the markets

At right, Japan's benchmark stock index and the biggest movers among the larger Asian stocks indexes and stocks Tuesday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

WSJ.com

Follow the markets throughout the day, with updated stock quotes, news and commentary at **WSJ.com.**.
Also, receive emails that summarize the day's trading in Europe and Asia.
To sign up, go to **WSJ.com/Email**

Asian index movers...

Nikkei Stock Average
Japan 9932.90
▼ **0.19% or 18.92**

Worries about debt problems in Europe continued to damp the mood, offsetting gains in companies with strong earnings such as Sumitomo Mitsui Financial Group.

Stock	Volume in millions	Close	Change Net	Change %
Mizuho Financial	**111.45**	175	2	1.16
Toshiba	**75.49**	419	-4	-0.95
Mtshbsh Fin Grp	**68.78**	456	1	0.22
Hitachi	**47.19**	307	...	...
Nippon Steel	**31.56**	319	-2	-0.62

Straits-Times
Singapore 2745.02
▲ **1.91% or 51.40**

Index heavyweight SingTel rose 2.7% after posting strong third-quarter earnings. UOB gained 3% and OCBC rose 2.8% on expectations of healthy fourth-quarter earnings.

Stock	Volume in millions	Close	Change Net	Change %
Genting Spore	**108.29**	1.09	...	...
Golden Agri	**54.57**	0.52	0.02	3.00
Sing Telecom	**32.18**	3.03	0.08	2.71
CapitaLand	**20.90**	3.75	0.07	1.90
Noble Grp	**18.34**	2.78	0.05	1.83

Hang Seng
Hong Kong 19790.28
▲ **1.22% or 239.39**

Shares ended a three-day selloff as property developers surged on news that Kerry Properties sold 65% of a building in a luxury residential project over the weekend.

Stock	Volume in millions	Close	Change Net	Change %
Icbc	**275.50**	5.52	0.11	2.03
CCB	**241.27**	5.87	0.10	1.73
Bank Of China	**212.11**	3.69	0.10	2.79
PetroChina	**108.20**	8.45	0.20	2.42
CNOOC	**103.09**	11.80	0.40	3.51

Kospi
South Korea 1570.49
▲ **1.14% or 17.70**

Shares reversed early losses to end higher, with banks and Kumho Asiana Group units leading on news that Kumho's restructuring process is back on track.

Stock	Volume in millions	Close	Change Net	Change %
Hansol Homedeco	**47.79**	1,865.00	-325.00	-14.84
Korea Data Sys	**41.57**	330.00	10.00	3.13
Samyang Optics	**22.60**	1,225.00	65.00	5.60
Kwangmyung El	**16.56**	2,370.00	-250.00	-9.54
Hanshin Mach	**15.69**	1,600.00	15.00	0.95

Asian stocks in the news

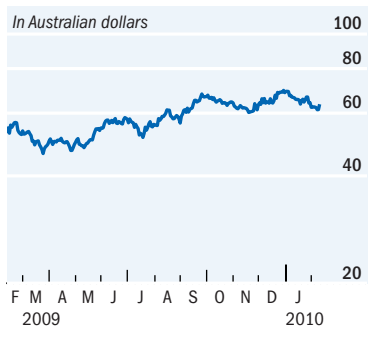
CNOOC
Hong Kong HK$11.80
▲ **3.5% or HK$0.40**

Husky Energy made a gas discovery in the South China Sea. Cnooc has a contract to participate.

		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**16**			
Earnings per share, past four quarters	**0.74**			
Dividend yield	**3.4**			
Oil & Gas		**0.8%**	-2.2%	40.4%
CNOOC		**3.5%**	4.8%	56.3%

Cochlear
Australia A$63.55
▲ **3.5% or A$2.16**

The company posted first-half earnings that beat expectations.



		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**27**			
Earnings per share, past four quarters	**2.34**			
Dividend yield	**1.5**			
Health Care		**-0.7%**	-1.7%	16.0%
Cochlear		**3.5%**	1.7%	15.5%

Sino Land
Hong Kong HK$13.10
▲ **5.0% or HK$0.62**

Property developers were cheered by news that Kerry Properties sold 65% of a building.

		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**37**			
Earnings per share, past four quarters	**0.36**			
Dividend yield	**3.1**			
Real Estate		**0.7%**	-2.8%	42.7%
Sino Land		**5.0%**	0.9%	86.9%

Esprit Hldgs
Hong Kong HK$56.90
▲ **5.1% or HK$2.75**

Goldman said it has greater confidence in the retailer's ability to improve the business.

		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**14**			
Earnings per share, past four quarters	**3.98**			
Dividend yield	**2.5**			
Retail		**...**	-1.4%	33.2%
Esprit Hldgs		**5.1%**	6.1%	43.4%

Xinao Gas Hldgs
Hong Kong HK$17.84
▲ **6.7% or HK$1.12**

Citigroup upgraded the stock to buy on expectation that natural-gas-price reform will soon be clear.

		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**22**			
Earnings per share, past four quarters	**0.81**			
Dividend yield	**1.0**			
Utilities		**-0.4%**	0.1%	3.2%
Xinao Gas Hldgs		**6.7%**	-3.3%	141.1%

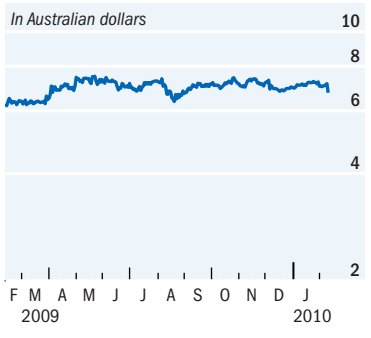
Japan Tobacco
Japan ¥310,500
▼ **3.0% or ¥9,500**

Fiscal third-quarter net profit slumped 34% on foreign-exchange factors and lower demand.

		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**25**			
Earnings per share, past four quarters	**12200.00**			
Dividend yield	**1.8**			
Personal & Hshld Gds		**-0.4%**	-3.5%	32.6%
Japan Tobacco		**-3.0%**	-7.5%	29.4%

TABCorp Hldgs
Australia A$6.74
▼ **5.7% or A$0.41**

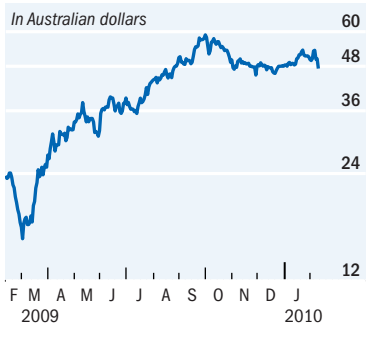
Investors sold shares after collecting the dividend.



		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**8**			
Earnings per share, past four quarters	**0.86**			
Dividend yield	**4.5**			
Travel & Leisure		**-0.6%**	-1.0%	17.9%
TABCorp Hldgs		**-5.7%**	-3.9%	7.7%

Macquarie Grp
Australia A$47.28
▼ **6.1% or A$3.07**

The company's second-half profit forecast fell short of analysts' expectations.



		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**19**			
Earnings per share, past four quarters	**2.43**			
Dividend yield	**1.8**			
Financial Services		**...**	-3.9%	51.2%
Macquarie Grp		**-6.1%**	-6.2%	99.8%

Koito Mnfrg
Japan ¥1,271
▼ **9.8% or ¥138**

The airplane-seat maker admitted falsifying safety data on 150,000 seats.

		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**33**			
Earnings per share, past four quarters	**38.60**			
Dividend yield	**1.3**			
Automobiles & Parts		**1.2%**	-3.3%	43.1%
Koito Mnfrg		**-9.8%**	-18.8%	131.9%

China Zhongwang Holdings Ltd.
Hong Kong HK$5.87
▼ **27.3% or HK$2.20**

Corporate-governance worries hit shares on first day of trade after month-long suspension.

		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**11**			
Earnings per share, past four quarters	**0.54**			
Dividend yield	**none**			
Basic Resources		**0.5%**	-3.7%	52.5%
China Zhongwang Holdings Ltd.		**-27.3%**	...	...

SCANNING THE GLOBE

Dow Jones Industrial Average P/E: 16

LAST: **10038.08** ▲ 129.69, or 1.31%
YEAR TO DATE: ▼ **389.97, or 3.7%**
OVER 52 WEEKS ▲ **2,149.20, or 27.2%**

Nasdaq Composite Index P/E: 20*

LAST: **2147.40** ▲ 21.35, or 1.00%
YEAR TO DATE: ▼ **121.75, or 5.4%**
OVER 52 WEEKS ▲ **622.67, or 40.8%**

S&P 500 Index P/E: 27

LAST: **1068.04** ▲ 11.30, or 1.07%
YEAR TO DATE: ▼ **47.06, or 4.2%**
OVER 52 WEEKS ▲ **240.88, or 29.1%**

*Price-to-earnings ratio for the Nasdaq 100 Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

DJIA component stocks

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
AT&T	T	**12.40**	$25.29	0.31	**1.23%**
Alcoa	AA	**18.40**	13.34	0.28	**2.14**
AmExpress	AXP	**5.00**	37.47	0.68	**1.85**
BankAm	BAC	**131.70**	14.49	0.01	**0.07**
Boeing	BA	**2.60**	59.28	1.39	**2.40**
Caterpillar	CAT	**8.20**	53.70	2.92	**5.75**
Chevron	CVX	**5.70**	71.60	1.47	**2.10**
CiscoSys	CSCO	**24.00**	23.93	0.43	**1.83**
CocaCola	KO	**8.40**	54.68	2.03	**3.85**
Disney	DIS	**5.00**	29.84	0.36	**1.22**
DuPont	DD	**3.00**	32.86	0.67	**2.08**
ExxonMobil	XOM	**18.40**	65.29	0.94	**1.46**
GenElec	GE	**40.20**	15.66	0.06	**0.38**
HewlettPk	HPQ	**6.60**	48.49	0.90	**1.89**
HomeDpt	HD	**7.50**	28.84	0.25	**0.87**
Intel	INTC	**26.70**	19.71	0.36	**1.86**
IBM	IBM	**2.60**	123.67	1.79	**1.47**
JPMorgChas	JPM	**21.80**	38.33	0.63	**1.67**
JohnsJohns	JNJ	**5.70**	63.13	0.76	**1.22**
KftFoods	KFT	**9.00**	28.87	0.50	**1.78**
McDonalds	MCD	**4.90**	63.25	0.33	**0.52**
Merck	MRK	**5.30**	36.67	0.08	**0.22**
Microsoft	MSFT	**24.80**	28.06	0.34	**1.23**
Pfizer	PFE	**27.40**	17.94	0.10	**0.56**
ProctGamb	PG	**4.30**	61.68	0.67	**1.09**
3M	MMM	**1.60**	79.02	1.49	**1.92**
TravelersCos	TRV	**2.30**	49.44	0.39	**0.80**
UnitedTech	UTX	**2.20**	66.64	1.24	**1.89**
Verizon	VZ	**11.10**	28.97	0.60	**2.11**
WalMart	WMT	**4.20**	53.39	0.46	**0.87**

U.S. stocks: most active...

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
Citigroup	C	**281.1**	$3.19	$0.04	**1.27%**
SPDR S&P 500	SPY	**152.5**	107.34	1.45	**1.37**
BankAm	BAC	**135.5**	14.50	0.02	**0.14**
SPDR FnclSelSct	XLF	**71.0**	13.79	0.13	**0.95**
iShrMSCIEmrgMkt	EEM	**56.2**	38.00	1.17	**3.18**
PwrShrs QQQ	QQQQ	**55.8**	43.19	0.52	**1.22**
DrxFinancBear 3x	FAZ	**48.9**	21.25	–0.56	**–2.57**
FordMotor	F	**43.3**	11.13	0.16	**1.44**
GenElec	GE	**41.5**	15.62	0.02	**0.13**
iShrRu2000	IWM	**37.6**	59.30	0.62	**1.06**
CellThrp	CTIC	**36.1**	0.79	0.15	**23.42**
ProShrsUShrt S&P	SDS	**35.1**	37.34	–1.12	**–2.91**
ElectroArts	ERTS	**30.1**	15.82	–1.67	**–9.55**
Pfizer	PFE	**28.0**	17.90	0.06	**0.34**
Intel	INTC	**27.3**	19.71	0.36	**1.86**

Biggest gainers...

AmComrclLine	ACLI	**338.7**	$20.20	$4.04	**25.00%**
TrubionPharm	TRBN	**38.6**	3.85	0.70	**22.22**
EncoreCap	ECPG	**164.5**	17.25	2.59	**17.67**
NtlBkGrc ADS	NBG	**4,687.0**	3.99	0.57	**16.67**
HarmanInt	HAR	**3,337.3**	41.25	5.75	**16.20**

...Biggest losers

TrmrkWldwd	TMRK	**1,449.0**	$6.52	-$1.27	**-16.30%**
Voltaire	VOLT	**70.4**	5.24	-0.88	**-14.38**
ToreadorRescs	TRGL	**2,516.9**	8.71	-1.45	**-14.27**
Conns	CONN	**553.9**	4.61	-0.74	**-13.76**
DrxDlLtAmBear 3x	LHB	**26.6**	54.02	-7.10	**-11.62**

ADRs of Asian companies*

52-WEEK High	52-WEEK Low	Stock	Symbol	Volume, in OOOs	Latest	CHANGE Points	CHANGE Percentage
$11.69	$6.88	**Taiwan Semi**	TSM	**16,682.3**	$9.63	0.02	**0.21%**
15.95	8.65	**China Unicom**	CHU	**4,016.0**	10.99	0.36	**3.39**
91.97	56.79	**Toyota Motor**	TM	**2,661.6**	74.85	2.00	**2.75**
82.74	33.09	**BHP Billiton**	BHP	**2,488.6**	71.31	3.41	**5.02**
13.30	6.35	**AU Optrncs**	AUO	**2,327.8**	11.23	0.40	**3.69**
8.19	4.18	**Siliconware Prec Ind**	SPIL	**1,314.1**	6.21	0.08	**1.31**
4.24	1.65	**Utd Microelectronics**	UMC	**1,179.3**	3.58	0.08	**2.29**
6.84	3.71	**Mitsu UFJ Fnl**	MTU	**994.7**	5.13	0.04	**0.79**
59.13	22.61	**Infosys Tech**	INFY	**961.5**	52.88	1.76	**3.44**
34.27	10.70	**Aluminum Cp of China**	ACH	**859.6**	23.77	0.95	**4.16**
59.22	40.20	**China Mobile**	CHL	**632.9**	49.00	1.04	**2.17**
18.20	6.85	**Korea Elec Pwr**	KEP	**341.4**	16.19	0.17	**1.06**
81.00	38.70	**China Life Ins**	LFC	**309.4**	63.56	1.06	**1.70**
21.78	11.30	**KT Corp**	KT	**304.9**	20.03	0.04	**0.20**
18.64	12.59	**SK Telecom**	SKM	**300.5**	17.00	0.18	**1.07**
35.59	15.64	**Sony**	SNE	**297.0**	33.70	0.69	**2.09**
5.23	1.57	**Adv Semi Engrg**	ASX	**248.8**	4.16	0.11	**2.72**
9.50	3.96	**Nomura Hldgs**	NMR	**244.2**	7.23	0.08	**1.12**
150.50	47.09	**POSCO**	PKX	**199.6**	114.69	6.46	**5.97**
94.00	46.45	**China Petro & Chem**	SNP	**192.9**	75.36	1.50	**2.03**
25.65	5.11	**Yanzhou Coal Mining**	YZC	**183.7**	19.45	0.71	**3.79**
135.92	63.94	**PetroChina**	PTR	**162.3**	108.88	2.58	**2.43**
37.23	20.72	**Honda Motor**	HMC	**157.7**	34.50	0.69	**2.04**
7.74	2.00	**Alumina**	AWC	**145.9**	5.64	0.22	**4.06**
24.09	17.71	**NTT**	NTT	**127.8**	22.14	0.18	**0.82**
34.43	21.60	**Huaneng Power Intl**	HNP	**125.1**	23.83	0.82	**3.56**
171.59	75.59	**CNOOC**	CEO	**115.1**	152.19	6.85	**4.71**
43.95	21.23	**Canon**	CAJ	**110.6**	39.61	0.74	**1.90**
21.22	16.33	**ChunghwaTel**	CHT@	**92.9**	18.65	0.18	**0.97**
9.82	5.43	**Telecom Corp of NZ**	NZT	**90.1**	8.00	0.11	**1.39**

*Most active American depositary receipts tracked by Dow Jones

Source: WSJ Market Data Group

Global government bonds

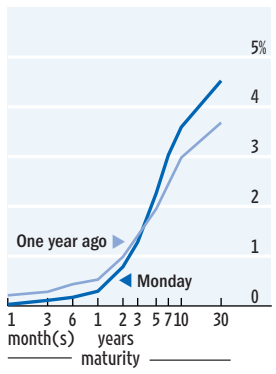
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 11 a.m. ET

Coupon	Country/ Maturity, in years	Yield	SPREAD OVER TREASURYS, in basis points Latest	Previous	Month ago	Year ago	YIELD Previous	Month ago	Year ago
5.750%	**Australia** 2	**4.445%**	**365.8**	364.2	352.0	**183.3**	**4.425%**	4.505%	**2.852%**
4.500	10	**5.467**	**188.4**	190.1	192.5	**137.0**	**5.488**	5.759	**4.362**
5.000	**Austria** 2	**1.550**	**76.3**	76.3	70.1	**37.2**	**1.546**	1.686	**1.391**
3.900	10	**3.655**	**7.2**	10.9	-0.7	**127.6**	**3.696**	3.827	**4.268**
2.000	**Belgium** 2	**1.373**	**58.6**	62.9	0.0	**38.5**	**1.412**	0.985	**1.404**
3.750	10	**3.706**	**12.3**	14.9	-13.2	**135.1**	**3.736**	3.702	**4.343**
1.500	**Canada** 2	**1.254**	**46.7**	47.7	33.0	**16.2**	**1.260**	1.315	**1.181**
3.750	10	**3.365**	**-21.8**	-21.6	-23.5	**8.6**	**3.371**	3.599	**3.078**
4.000	**Denmark** 2	**1.784**	**99.7**	98.4	108.6	**149.1**	**1.767**	2.071	**2.510**
4.000	10	**3.497**	**-8.6**	-10.9	-18.4	**81.5**	**3.478**	3.650	**3.807**
3.750	**France** 2	**1.159**	**37.2**	31.0	18.5	**55.7**	**1.093**	1.170	**1.576**
3.500	10	**3.491**	**-9.2**	-9.0	-24.5	**82.5**	**3.497**	3.589	**3.817**
1.250	**Germany** 2	**1.018**	**23.1**	22.3	27.5	**42.4**	**1.006**	1.260	**1.443**
3.250	10	**3.152**	**-43.1**	-45.2	-44.8	**40.4**	**3.135**	3.386	**3.396**
0.550	**Hong Kong** 2	**0.646**	**-14.1**	-13.2	-38.4	**-39.0**	**0.651**	0.601	**0.629**
2.160	10	**3.027**	**-55.6**	-55.1	-85.1	**-121.7**	**3.036**	2.983	**1.775**
5.000	**Italy** 2	**1.782**	**99.5**	109.2	48.0	**119.4**	**1.875**	1.465	**2.213**
4.250	10	**4.045**	**46.2**	51.4	24.2	**154.5**	**4.101**	4.076	**4.537**
0.200	**Japan** 2	**0.165**	**-62.2**	-62.3	-81.0	**-58.1**	**0.160**	0.175	**0.438**
1.300	10	**1.347**	**-223.6**	-222.7	-246.5	**-168.3**	**1.360**	1.369	**1.309**
2.500	**Netherlands** 2	**1.099**	**31.2**	28.9	-19.3	**71.4**	**1.072**	0.792	**1.733**
3.500	10	**3.488**	**-9.5**	-10.3	-29.4	**99.6**	**3.484**	3.540	**3.988**
3.200	**Portugal** 2	**2.123**	**133.6**	144.1	24.4	**83.0**	**2.224**	1.229	**1.849**
4.750	10	**4.602**	**101.9**	121.8	17.9	**144.8**	**4.805**	4.013	**4.440**
5.350	**Spain** 2	**1.708**	**92.1**	107.0	45.1	**122.2**	**1.853**	1.436	**2.241**
4.000	10	**4.079**	**49.6**	55.0	14.0	**140.8**	**4.137**	3.974	**4.400**
2.750	**Switzerland** 2	**0.455**	**-33.2**	-32.5	-35.1	**-55.9**	**0.458**	0.634	**0.460**
2.250	10	**1.944**	**-163.9**	-164.3	-170.6	**-79.5**	**1.944**	2.128	**2.197**
3.250	**U.K.** 2	**1.196**	**40.9**	47.4	28.6	**64.8**	**1.257**	1.271	**1.667**
4.500	10	**3.953**	**37.0**	34.6	23.0	**76.9**	**3.933**	4.064	**3.761**
0.875	**U.S.** 2	**0.787**	**...**	...	...	**...**	**0.783**	0.985	**1.019**
3.375	10	**3.583**	**...**	...	...	**...**	**3.587**	3.834	**2.992**

Source: Thomson Reuters

U.S. Treasury yield curve

The curve shows the yield to maturity of current bills, notes and bonds; all data as of 3 p.m. ET.



Ryan Index	Yield to maturity	Modified duration	TOTAL RETURN Month to-date	Quarter to-date	Year to-date	12-month
30-year Treasury	**4.523%**	16.22	–0.11%	2.32%	2.32%	–9.71%
10-year Treasury	**3.592**	8.17	0.23	2.41	2.41	–1.71
7 Year Treasury	**3.032**	6.23	0.41	2.74	2.74	...
Five-year Treasury	**2.263**	4.68	0.48	2.13	2.13	2.95
Ryan Index	**2.580**	6.69	0.24	2.00	2.00	0.20
3 Year Treasury	**1.282**	2.87	0.30	1.44	1.44	3.54
Two-year Treasury	**0.787**	1.96	0.11	0.89	0.89	2.45
1 Year Treasury	**0.295**	0.93	0.01	0.21	0.21	1.26
Six-month Treasury	**0.173**	0.50	...	0.03	0.03	0.65
Ryan Cash Index-a	**0.152**	0.44	...	0.06	0.06	0.61
Three-month bill	**0.112**	0.25	...	0.01	0.01	0.38
One-month bill	**0.030**	0.07	...	...	...	0.14

a-Performance of a cash investment

Source: Ryan ALM

Key money rates

	Latest	52 wks ago
Prime rates		
U.S.	**3.25%**	3.25%
Canada	**2.25**	3.00
Japan	**1.475**	1.475
Britain	**0.50**	1.00
ECB	**1.00**	2.00
Switzerland	**0.53**	0.52
Australia	**3.75**	3.25
Hong Kong	**5.25**	n.a.
Libor		
One month	**0.22844%**	0.44688%
Three month	**0.25000**	1.22188
Six month	**0.38875**	1.68625
One year	**0.84625**	1.98688

	Latest	52 wks ago
Euro Libor		
One month	**0.38438%**	1.65875%
Three month	**0.59813**	1.99250
Six month	**0.91938**	2.07625
One year	**1.20000**	2.18000
Hibor		
One month	**0.07000**	0.19643%
Three month	**0.13000**	0.79214
Six month	**0.24929**	1.14786
One year	**0.54714**	1.55000
Asian dollars		
One month	**0.2396%**	0.46%
Three month	**0.2566**	1.2180
Six month	**0.3890**	1.7020
One year	**0.8460**	1.9840

	Offer	Bid
Eurodollars		
One month	**0.3000%**	0.2000%
Three month	**0.3300**	0.2300
Six month	**0.5500**	0.3500
One year	**0.8500**	0.5000

	Latest	52 wks ago
U.S. discount	**0.50%**	0.50%
Fed-funds target	**0.25**	0.25
Call money	**2.00**	2.00
Overnight repurchase rates		
U.S.	**0.18%**	0.28%
U.K. (BBA)	**0.510**	0.850
Euro zone	**0.31**	1.23

Sources: WSJ Market Data Group; Reuters

HEARD ON THE STREET

Email: heard@wsj.com FINANCIAL ANALYSIS & COMMENTARY WSJ.com/Heard

Key to rising yuan: less rhetoric abroad

The diplomatic heat is intensifying, China's foreign-exchange reserves continue to pile up and trade data due Wednesday should show it is on the path to a wider trade surplus in 2010.

Surely, this is a good time for Beijing to start allowing the yuan to appreciate, again.

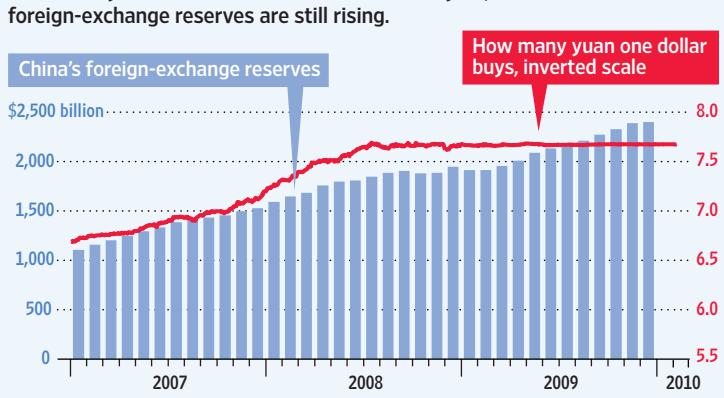
Maybe, but the political realities behind China's position may see to it that this doesn't happen as soon, or as radically, as China's critics hope.

China's leaders aren't subject to electoral cycles, but they do have term limits of sorts, and therefore a legacy to consider. The terms of current President Hu Jintao and Premier Wen Jiabao are up in 2012.

Critical to China's economic success under them has been a system promoting exports and investment that has consistently kept economic growth above the government's 8%-per-year benchmark. A key element of that has been a tightly controlled exchange rate.

Different stories

The dollar-yuan rate has been stable for over a year, but China's foreign-exchange reserves are still rising.



Sources: People's Bank of China; WSJ Market Data Group (yuan)

Loosening Beijing's grip on that policy tool won't be easy. Foreign hectoring only makes it less likely.

China isn't keen on taking the sole blame for global imbalances, or on being singled out as the only party that should give ground on long-held policy tenets. Too-loose monetary policy in the developed world over the past decade is arguably as much at fault for global imbalances as Chinese mercantilism.

Patience with China may be a better, and more realistic, option—even if it is tempting for Western leaders to seek scapegoats as high unemployment rates pile on the political pressure. Beijing could well start allowing the yuan to appreciate again later this year to help counter its own looming problems, like rising inflationary pressures.

Over the longer term, a more flexible exchange rate will help lessen China's export dependence. In the immediate future, exports shouldn't fall off a cliff anyway because productivity gains China has made will still give it a competitive advantage in world trade.

Allowing the yuan to restart its appreciation, then, would give China a diplomatic win with little real cost to its economy, just as Messrs. Hu and Wen approach the twilight of their leadership. It is a conclusion Beijing will more easily reach if foreigners keep the lid on their rhetoric.

—Andrew Peaple

Google in search of a marketing strategy for itself

Here's a question no amount of Google searches will answer: Why did Google choose the one product it doesn't need to advertise for its first Super Bowl commercial?

It doesn't hurt Google to promote its search engine, of course, even if it already has roughly two-thirds of the market. And **Microsoft** has been gaining share, with its Bing search engine showing 6% more queries in December from November, while Google was up 2%, comScore estimates. Then again, Bing is starting from a smaller base. Google actually added more than twice as many search queries as Bing in the month.

What it may signal is that Google, after long relying heavily on word of mouth, is learning how to market itself, something that will be important as its business diversifies. Using only its own outlets for promotion, such as YouTube, on which the Super Bowl ad first appeared, isn't enough for a company looking to reach a broad mix of consumers.

Google, in the past year, has bought television spots to promote its Chrome browser and billboards to advertise its business-applications suite.

Indeed, Google in the past year has bought TV spots to promote its Chrome browser and billboards to advertise its business-applications suite. It invested more on marketing in the fourth quarter as part of an effort to "accelerate our growth," Google said recently.

So, then, why is Google not using television to promote its Nexus One cellphone?

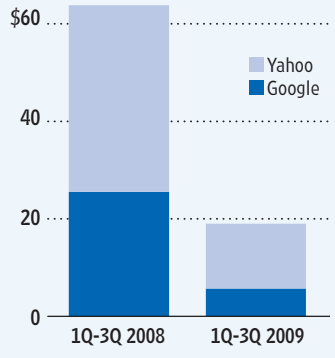
The company is focusing its promotional efforts online for now, it has said. But that may be a mistake. Rival phones are pushed heavily on TV and in print media.

Google is clearly skilled at selling online ads. But formulating a coherent marketing strategy for itself remains a work in progress.

—Martin Peers

Promo

Estimated ad spending in millions*



*Includes online display but not search advertising

Source: Kantar Media

Bond bellyflop offers a lesson for Baroda

Diving into a large pool of capital can be good fun—as long as you know how to take the jump.

India's banks, hoping to capitalize on low interest rates and foreign investors' enthusiasm, have rushed to the international bond markets to raise funds. Some have had success: Late last year, **ICICI Bank** and **State Bank of India** raised $1.5 billion between them.

But a he-said, she-said situation that has unfolded around a canceled bond sale by **Bank of Baroda** reveals how inexperienced some issuers are. Fumbles like this one risk alienating potential investors.

Baroda on Friday pulled its plans to sell a $500 million bond, saying it didn't like the premium it was being asked to pay, which was higher than those for recent issues by other banks. It was uncommon, though, that the cancellation came in after orders had been placed. Bankers charged with selling the bond say the pricing was within guidance to investors.

Baroda chalked the higher interest rates up to market turmoil, but the bank arguably doesn't deserve as low a premium as it was holding out for. It wanted to pay roughly what ICICI and State Bank of India did, but those banks have an established record of issuance. They have raised some $8 billion in 14 separate deals over the last four years, according to Dealogic. Baroda has tapped the global debt markets once in recent years.

No doubt Baroda's bankers have learned an embarrassing lesson. Many of them were in charge of a $500 million bond issue by Bank of India, which on Tuesday chose not to proceed with an offering.

This time, though, that decision was made before investors were already lined up. *—Harsh Joshi*

asciano
AUD 2,350,000,000
Placement and Rights Issue
Joint Lead Manager and Underwriter
June 2009

sanofi aventis
Because health matters.
EUR 1,500,000,000
Notes due 2013
EUR 1,500,000,000
Notes due 2016
Joint Bookrunner
May 2009

VATTENFALL
EUR 9,951,000,000
Advisor to Vattenfall on the Acquisition of Nuon
Financial Advisor
July 2009

Walmart
Save money. Live better.
EUR 1,000,000,000
4.875% Fixed Rate Notes
Due 2029
Joint Bookrunner
September 2009

We are doing a great deal for our clients

The last 18 months have been tough. But while others focused on us, we've remained focused on our clients. Even as the challenges of the global capital markets have continued, these and thousands more of our clients have still achieved their objectives. Through our expert teams around the world, we have supported them with financing and risk management. And we look forward to offering them a great deal more.

rbs.com/gbm

Global Banking & Markets

RBS™
The Royal Bank of Scotland

The Royal Bank of Scotland plc. Registered in Scotland No. 90312. Registered Office: 36 St Andrew Square, Edinburgh EH2 2YB. The Royal Bank of Scotland plc is an authorised agent of The Royal Bank of Scotland N.V. in certain jurisdictions.

Published by Dow Jones Publishing Company (Asia). Printed in Hong Kong by Superflag Advertising and Communication Limited. 8 Chun Ying Street, NT. Printed in Indonesia by PT Gramedia Printing Group, Jalan Palmerah Selatan 22-28, Jakarta 10270. Printed in Japan by Yomiuri Shimbun, 1-7-1, Otemachi, Chiyoda-ku, Tokyo 100-8055. Printed in Korea by JoongAng Ilbo. 7, Soonwha-Dong, Chung-Ku, Seoul 100-130. 1997 June 04 Registration no: SeoulKA00020 (Daily Newspaper). Publisher/Editor/Printer: Song Pil-Ho. Printed in Malaysia by KHL Printing Co. Sdn. Bhd (ROC No. 235060-A) Lot 10 & 12, Jalan Modal 23/2, Seksyen 23 Kawasan Miel Phase 8, 40000 Shah Alam, Selangor, Malaysia. Printed in Philippines by FEP Printing Corporation, 3817 Mascardo St., Corner Metropolitan Ave., Pasong Tamo, Makati City. Printed in Singapore by KHL Printing Co. Pte Ltd., 57 Loyang Drive, Singapore 508968. Printed and distributed in Taiwan by The China Post. 8 Fu Shun Street, Taipei 104. Printed in Thailand by Nation Multimedia Group Public Co., Ltd., 1854 Bangna-Trad Road, (KM. 4.5), Prakanong, Bangkok 10260. Published and printed on behalf of the Wall Street Journal India Publishing Pvt Ltd, 517B World Trade Centre, Barakhamba Lane, New Delhi 110001 by Mr Suman Dubey at A-8 Sector 7, Gautam Budh Nagar, Noida -201301 and PLOT NoEL208, TTC Industrial Area, Mahape, Navi Mumbai - 400710 (Maharashtra), India. Editor: Suman Dubey, phone: +91-11-6462 0215. ACP no. F2 (T/3) Press / 2009 FACSIMILE EDITION.